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REVENUE SHARING AND PAYMENTS IN LIEU OF TAXES ON THE PUBLIC LANDS

Volume I

EBS Management Consultants Incorporated
Washington, D.C.

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The first volume in a four-volume study which analyzes 40 different Federal statutes providing for compensation to states and/or local governmental units through either revenue sharing or in-lieu-tax payments. Revenue sharing ranges from 5 to 90 percent of the receipts received. Also included are analyses of laws dealing with state-owned lands, as well as those of Canada and Australia. Intensive examination was also made of 5 states and 50 counties in 19 states to assess the impact of Federal land ownership. (PLLRC abstract
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FOREWORD

This manuscript is one of a series which was prepared for the Public Land Law Review Commission as part of its data base in forming the recommendations for future public land policies that have been forwarded to Congress and the President of the United States in our report titled One Third of the Nation's Land.[1/]

In establishing the Public Land Law Review Commission in September 1964, Congress declared the following policy: That the public lands of the United States shall be (a) retained and managed or (b) disposed of, all in a manner to provide the maximum benefit for the general public. It also directed that a comprehensive review be made of the public land laws and the related administrative rules and regulations to determine whether and to what extent revisions are necessary to accomplish the stated policy objective.

Considerable evidence pointed to the need for such a review. Dating back in some cases to the birth of the nation, our public land laws have developed over a long period of years through a series of Acts of Congress which are not fully correlated with each other. Administration of the public lands and the related laws has been divided among several agencies of the Federal Government. Quite possibly, these laws and the manner in which they are administered may be inconsistent with one another and inadequate to meet the current and future needs of the American people.

The Commission was instructed to:

1. Study existing statutes and regulations governing the retention, management, and disposition of the public lands;
2. Review the policies and practices of the Federal agencies charged with administrative jurisdiction over such lands insofar as such policies and practices relate to the retention, management, and disposition of those lands;

[1/] Available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D. C. - Price $4.50.

3. Compile data necessary to understand and determine the various demands on the public lands which now exist within the foreseeable future; and

4. Recommend such modifications in existing laws, regulations, policies and practices as will, in the judgment of the Commission, best serve to carry out the policy objective.

To fulfill these requirements, the staff was charged with the responsibility of performing or having performed the appropriate research and of then presenting to the Commission all the information and data necessary as a foundation for the Commission's deliberations, conclusions and recommendations. A study program encompassing various subject areas was undertaken and separate manuscripts were prepared covering each of 33 separate topics.

In fulfillment of a policy of maintaining the smallest technical and professional staff possible, most of the studies were accomplished under contract with individuals, institutions such as universities, and research organizations; a few of the studies and analyses were accomplished in-house by the Commission staff, some with consultant assistance.

Thus, while we reviewed the whole body of public land laws at one time, each study was designed to examine only a portion of the public lands complex and should be utilized with this understanding. There is, therefore, an interrelationship among the studies and the resultant manuscripts that will require review and examination of more than one report in order to obtain a complete view of any one aspect of public land law and administration.

Each manuscript was transmitted from the staff with a letter discussing the content of the report and setting forth the policy matters to be considered with respect to the particular subject. A copy of the letter of transmittal for this report has been made a part of this volume in order to assist in the understanding of the approach.

These manuscripts served an extremely useful purpose in providing a common base for discussion in the Commission and between the Commission and its Advisory Council and the representatives of the 50 governors. We believe that they will also be valuable as reference works, not only on Federal public land matters but concerning all of our natural resources, for use by all levels of government -- Federal, state, and local -- and the academic community as well as those who are interested in the tremendous natural resources that we, as a nation, possess.

Wayne N. Aspinall

Wayne N. Aspinall
Chairman

Public Land Law Review Commission
1730 K Street, N.W.
Washington, D. C. 20006

November 1, 1970

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INPUT SECTION
CLEARINGHOUSE

Honorable Wayne N. Aspinall
Chairman
Public Land Law Review Commission
Washington, D.C.

Dear Mr. Chairman:

Transmitted herewith is a contract study of Revenue Sharing and Payments in Lieu of Taxes on the Public Lands, prepared by EBS Management Consultants, Inc., under supervision of the staff.

The contractor's report was originally submitted to you with our letter of July 30, 1968. After you made copies available to the members of the Commission and the Advisory Council and Governors' Representatives, the manuscript was reviewed and comments were received from them. In addition, our staff reviewed the manuscript. The contractor was then furnished with all the comments for his consideration so that inaccuracies could be corrected.1/ However, since this is the contractor's report and not that of our commentators, we have not requested the contractor to make any changes based on interpretations or opinions unless the contractor agreed with those interpretations or opinions.

The report was originally submitted in four volumes with a supplementary summary prepared by the Commission staff. As published by National Technical Information Service, it now includes four volumes in all. Volume I contains the narrative discussion together with supporting tables; Volume II contains two appendices; Volume III contains an appendix and case studies; and Volume IV contains case studies.

The manuscript analyzes 40 different Federal statutes providing for compensation to states and/or local governmental units through either revenue sharing or in lieu tax payments. Revenue sharing ranges from 5 percent to 90 percent of the receipts received.

1/Comments referred to are part of the official files of the Commission. When the Commission ceases to exist, these files will be deposited with the National Archives, Washington, D.C.

The study was designed to provide the basic information required by the Commission in considering this aspect of the Government's responsibility as a landowner. Accordingly, the contractor has, in addition to an analysis of the laws, included for comparative purposes analyses of laws dealing with state-owned lands, as well as those of Canada and Australia. Intensive examination was also made of 5 states and 50 counties in 19 states to assess the impact of Federal land ownership. Other basic data were brought together from every source possible. The highlights of the report are discussed further below.

The Federal Government made payments of $131 million under revenue sharing and payments in lieu of taxes legislation in 1966, with $92 million thereof being attributed to ownership of lands concerning which the Public Land Law Review Commission is charged with making recommendations. In addition, $108 million was paid to state and local governments under what are referred to as land-related programs, i.e., the Sliding-Scale Aid Highway Program, the Forest Highway Fund, and the Public Lands Highway Fund.

It was indicated that based on current programs and assumed valuations, all of the states and a majority of the counties examined in detail in the case studies would have collected more revenue if the lands involved were subject to taxation.

It is also indicated that shared revenues and in lieu tax payments have not increased in the same proportion as have other types of Federal payments to state and local governments.

Starting on page 135 of the report is a discussion of the principal policy considerations involved in the area of revenue sharing and payments in lieu of taxes; this is followed, on page 149 of the report, by detailed analyses of 9 principal alternatives that might be substituted for the existing systems. The principal policy matters suggested for Commission consideration are:

1. Should the Federal Government make payments to state and/or local governments to compensate for the tax immunity of Federal lands?
2. If payments are made, should they fully compensate for the loss of taxes which would be paid if the lands were privately owned? If not, what should determine the level of payments?

a. Should some kinds or categories of lands be excluded?

b. Should the level of Federal payments be affected by state and local taxation of the possessory interests of users of Federal lands?

c. Should Federal payments be responsive to expenditure requirements of state and local governments?

d. Should the level of Federal payments be limited to revenues generated by resource programs?

3. To which units of government should Federal payments be made?

When this subject was presented for Commission consideration, several alternatives subsidiary to the main policy considerations stated above were also set forth. These were concerned with alternatives discussed in the contractor's report and were also keyed to consideration dependent on positions taken on basic policy considerations.

The contract study was initiated under the supervision of Max M. Tharp who served as staff project officer until September 1967. Thereafter, the project officer was Don A. Seastone. Jerome Muys was associate project officer.

Sincerely,

Milton A. Pearl
Director

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Listed above is the professional staff as constituted in August 1969 when the initial manuscripts were being readied for publication by the Clearinghouse for Federal Scientific and Technical Information, together with the sub-professional and stenographic and clerical personnel on the staff at the time of publication of this report.

Harry L. Moffett served as Assistant Director (Administration) from October 1966 to July 1969, and Leland O. Graham, Arthur D. Smith and Max M. Tharp made significant contributions as members of the staff prior to August 1969.

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The following are presently members of the Advisory Council by virtue of their appointment under the provision of the Commission's organic act providing that:

> "The Chairman of the Commission shall request the head of each Federal department or independent agency which has an interest in or responsibility with respect to the retention, management, or disposition of the public lands to appoint, and the head of such department or agency shall appoint, a liaison officer who shall work closely with the Commission and its staff in matters pertaining to this Act."

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> "There is hereby established an Advisory Council, which shall consist of the liaison officers appointed under Section 5 of this Act, together with 25 additional members appointed by the Commission who shall be representative of the various major citizen's groups interested in problems relating to the retention, management, and disposition of the public lands,..."

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PUBLIC LAND LAW REVIEW COMMISSION

Background

The public lands of America date back to the time of the Union's formation. Then, and soon thereafter, seven of the original States ceded to the Central Government some 233.4 million acres of land lying westward to the Mississippi River. Thereafter, through purchase and treaty, the United States acquired an additional billion acres of public domain, the last acquisition being the purchase of Alaska from Russia in 1867. Altogether, nearly 2 billion acres of land in 32 States have been part of the public domain at one time or another.

At first, these lands were sold for their revenue. Eventually, however, as the pioneers swept westward, the revenue-raising policy was replaced by one stressing settlement and development of the land. The Homestead Act of 1862 was the first of a series of settlement and development laws enacted over a period of some 60 years - the desert land law, mining laws, and the various homestead laws - all designed to meet a particular need of the period. Meanwhile, many millions of acres were transferred to private ownership through military, railroad, and other land grants, including various grants to the States.

Through these means, nearly 1.2 billion acres have passed from Federal ownership, leaving approximately 715 million acres of the original public domain lands in Federal ownership. Of these 715 million acres 364 million are in the State of Alaska. Add to this the 52 million acres acquired for various purposes, and federally owned lands today amount to approximately 770 million acres - about one-third of the Nation's total land area. Some of these lands are in national forests and some are reserved for national parks, wildlife refuges, and other specific uses; but more than half constitute the "vacant and unappropriated" public domain lands which have never left Federal ownership and have not been dedicated to a specific use pursuant to legislative authorization.

The Act establishing the Public Land Law Review Commission contains in section 10 the following definition:

> As used in this Act, the term 'public lands' includes (a) the public domain of the United States, (b) reservations, other than Indian reservations, created from the public domain, (c) lands permanently or temporarily withdrawn, reserved or withheld from private appropriation and disposal under the public land laws, including the mining laws, (d) outstanding interests of the United States in lands patented, conveyed in fee or otherwise, under the public land laws, (e) national forests, (f) wildlife refuges and ranges, and (g) the surface and subsurface resources of all such lands, including the disposition or restriction on disposition of the mineral resources in lands defined by appropriate statute, treaty, or judicial determination as being under the control of the United States in the Outer Continental Shelf.

Working with the Commission are a 33-member Advisory Council and the representatives of the 50 State Governors.

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Vocabulary of Abbreviations Used in this Report

ABC Program	-	BPR classification of primary, secondary and tertiary roads
AEC	-	Atomic Energy Commission
ALT	-	Alternative
APW	-	Accelerated Public Works
AUM	-	Animal Unit Month(s)
BLM	-	Bureau of Land Management
B of R	-	Bureau of Reclamation
BPR	-	Bureau of Public Roads
BSF&W	-	Bureau of Sport Fisheries and Wildlife
BWCA	-	Boundary Waters Canoe Area
CBWR	-	Coos Bay Wagon Road
CFR	-	Code of Federal Regulations
C of E	-	Corps of Engineers
DOD (D of D)	-	Department of Defense
EBI	-	Effective buying income
EBSMC	-	EBS Management Consultants
FPC	-	Federal Power Commission
FS	-	Forest Service
GSA	-	General Services Administration
HEW	-	Health, Education and Welfare
K-12	-	HEW classification, Kindergarten through Grade 12
LU	-	Land Utilization

(Vocabulary of Abbreviations, Cont'd)

ML - Mineral leasing
NA - Not available
NC - Not calculable
NF - National Forest
NPS - National Park Service
O&C - Oregon and California (Land Grant Act)
OCS - Outer Continental Shelf
K-V - Knutson-Vandenberg (Act of 1930)
PD - Public domain
PILT - Payments in lieu of taxes
PL - Public Law
PLLRC - Public Land Law Review Commission
PPBS - Planning Programming Budget System
RFC - Reconstruction Finance Corporation
R&PP - Recreation and Public Purposes Act
RS - Revenue Sharing
TG-3 - Taylor Grazing Act, Section 3
TG-15 - Taylor Grazing Act, Section 15
TVA - Tennessee Valley Authority
USC - United States Code
USDA - United States Department of Agriculture
USDI - United States Department of Interior

PART 1

INTRODUCTION, OBJECTIVES AND SCOPE OF STUDY AND SUMMARY OF FINDINGS

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PART 1

Introduction, Objectives and Scope of Study and Summary of Findings

I. Introduction

This report is the product of a one-year study on Revenue Sharing and Payments in Lieu of Taxes on the Public Lands conducted for the Public Land Law Review Commission by EBS Management Consultants Incorporated, Washington, D. C. This report is in six parts and three appendices as follows:

Part 1 - Introduction; Objectives and Scope of Study; Summary of Findings

Part 2 - Laws and Practices Providing for Revenue Sharing and Payments in Lieu of Taxes

Part 3 - Resource Study

Part 4 - Case Study

Part 5 - Principal Alternatives

Part 6 - Methods of Study

Appendix 1 - Legal Digests, State Laws, Canada and Australia

Appendix 2 - BPR Sliding Scale Aid, Reclamation Fund, TVA, Data Reforms

Appendix 3 - Case Study Digests, 5 States, 50 Counties

Additionally, an extensive data bank has been created and computerized. A complete set of printouts of the accumulated data and analytical calculation, together with a full description of the data setup, the techniques employed and computer programs generated, are also furnished as a part of this study.

The accomplishments of this study effort would not have been feasible without the extensive participation and cooperation of numerous persons from among the various Federal land management agencies, state and local governments, the professional staff of the Public Land Law Review Commission and members of its official family comprised of Commissioners, members of the Advisory Council and Governors' Representatives. Unfortunately it is infeasible to acknowledge here the personal contributions of these many persons; the gratitude which must be expressed to the Commission's project officer and associate project officer for their invaluable guidance and counsel is also extended to the many devoted public officials whose contributions to this study have made its accomplishment possible.

II. Objectives and Scope of the Study

The general objective of this study, one in a series of studies conducted by and for the PLLRC, is to provide data and analyses which would be helpful to the Commission in carrying out its primary statutory responsibility,[1] "... review the policies and practices of the Federal agencies charged with administrative jurisdiction over the public lands insofar as such policies and practices relate to the retention, management and disposition of those lands." Specifically, this study is concerned with the laws, practices and effects of Payments in Lieu of Taxes and Revenue Sharing on public lands. As such, it embraces elements of law, administrative practices and procedures, fiscal and economic policies and practices, and their interaction with and the effects upon society.

One of the principal policy areas relating to the retention and management of public lands by the Federal government concerns the techniques by which Congress has provided Federal financial aid to state and local governments because of the tax immunity of property interests of the United States in Federal lands within their jurisdiction.

The two techniques which Congress has traditionally employed are (1) the sharing of revenues from the sale of the public lands or their resources, and (2) the provisions for payments in lieu of the taxes to which the lands would otherwise be subject if they were in private ownership.

The practice of sharing revenues from the sale of the public lands began in 1802, when Congress provided that Ohio should receive 3% of the net proceeds of the revenues from the sale of public lands in that state. Revenue sharing with respect to the resources from the public lands was instituted about a century later, when Congress in 1906 provided that 10% (later increased to 25%) of the receipts from sales of forage and timber from the national forests should be allocated to the counties in which the forests were located.

Currently, the portions of receipts vary by commodity and agency, with a range of 5, 10, 12-1/2, 25, 37-1/2, 50, 75 and 90%. In addition, some statutes provide for lump-sum payments. Other legislation provides for Federal payments in lieu of taxes measured in terms of a certain percentage of fair appraised value or acquisition costs on acquired lands.

A preliminary review of existing laws and administrative policies has revealed a disparity in the basic rationales underlying the legislation, the calculation and timing of the amounts shared or paid by the Federal government, and the recipients of the payments, i.e., states and local governmental units affected by the present PILT and RS system.

Most of the legislation was enacted prior to significant changes which have taken place in the last quarter century with respect to (1) state and local governmental taxing policies, (2) direct Federal grants-in-aid for state and local governmental functions, (3) direct Federal aid which is determined in part by specific consideration of the impact of problems relating to Federal governmental activities on and ownership of land, e.g., the interstate highway and impacted school aid grants, and (4) the changing allocation of responsibilities for providing local governmental services as among states, counties, municipalities, and special districts.

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[1] As defined in the Act of September 19, 1964 (78 Stat. 982).

All of these factors dictate the need for a study to provide the data necessary to ascertain whether, and to what extent, the fact of public land holdings requires, as a matter of equity with those states and their political subdivisions, financial contributions of some kind by the Federal government to support state and local governments in addition to other Federal aid which is available to all states and local governments under existing grant-in-aid programs.

Inasmuch as economic impacts of Federal ownership will be covered in other PLLRC studies, this study does not attempt a survey of all possible economic and noneconomic benefits which may accrue to a region because of the presence of Federal lands in the area. Consequently, this study is concerned primarily with the unique impact that Federal ownership of lands has on the financial policies of state and local governments. It therefore attempts to determine whether certain services and facilities are provided on Federal lands which, by law or custom, would otherwise have to be provided by state and local governments. It will also show what the effect would be if these contributions were taken into account in determining the need for and measure of any kind of Federal payments to state and local governments.

Similarly, it will examine only those Federal programs providing for a higher level of matching grants-in-aid to state and local governmental units as direct result of the presence of public lands within their jurisdiction, i.e., the Federal highway aid formulas which contain increased components which are directly related to the extent of Federal lands within a state.

Six major objectives were pursued in this project. Briefly summarized, they are as follows:

a. Determine the influence and appraise the effects of public land ownership on the financial structure and taxing policies of state and local governmental units in areas where Federal holdings make up a substantial part of the land in a particular jurisdiction.

b. Determine the amount, extent, character and influence of Federal-shared receipts and payments in lieu of taxes as a result of land ownership on the financial structure of state and local governmental units.

c. Determine the amount, extent, character and influence of contributions in kind by the Federal government, as a result of land ownership, on the financial structure of state and local governmental units.

d. Examine and appraise the effects of revenue sharing on the management, public investments, and administration of Federal lands.

e. Compare the amount of receipts, distribution, timing and use resulting from present procedures of revenue sharing and payments in lieu of taxes, and contributions in kind with the same items for each of the comparable type, use, and value of land in private ownership.

f. Outline alternative procedures for current revenue sharing, in lieu of tax payments and contributions in kind, and test the probable effect of each alternative on amounts of payments, distribution and timing of receipts, and use of, and management of resources.

The study scope was designed to encompass three basic study areas: Legal, Resource, and Cases. Their content is summarized as follows:

A. Legal Study: This portion of the study is concerned with a description and analysis of the various Federal statutes providing for a sharing of revenues from Federal lands and/or payments in lieu of taxes to be made to state and local governments with respect to such lands. The descriptions and analyses include reviews of the applicable legislative history of each statute, in order to determine the Congressional rationale for its enactment. In addition, this part of the study includes a review and description of the actual administration of each statute as indicated by the regulations, manuals, handbooks, and administrative policy statements of the Federal agency charged with the administration of the particular statute.

Each of the Federal statutes is described and analyzed in terms of (1) the lands to which it applies, and (2) the formula or other means for determining the revenue sharing payments and/or payments in lieu of taxes. With respect to the formulas adopted, particular attention is focused on such items as (1) the percentage of revenues shared, (2) costs or other charges deducted prior to determination of revenue available for sharing, (3) conditions imposed on users of Federal lands which may affect the amount of revenues shared, (4) methods of appraising Federal lands for the purposes of calculating in lieu of tax payments, (5) the source of revenues shared, (6) the unit of government receiving payments, (7) the timing of payments, and (8) restrictions on the use of payments made.

In addition to the Federal statutes mentioned, certain other Federal statutes are also examined, though in less detail. Included are statutes which permit state and local taxation of Federal real property and which provide for financial assistance to the states based on formulas involving consideration of Federal land holdings within the states, e.g. the various highway aid programs.

Additionally, this portion of the study contains a description and analysis of the laws of the 50 states which provide financial compensation to local units of government with respect to state owned lands. These statutes are also described in terms of (1) the lands to which they apply, (2) the units of government receiving the payments, and (3) restrictions on the use of payments. Where possible, comparisons between the Federal statutes and the various state laws are made in this section.

Finally, the legal study contains a brief description of the laws of Australia and Canada, insofar as they could be determined, which provide for payments to local units of government in those countries with respect to publicly owned lands.

B. Resource Study: This portion of the study is concerned with establishing by factual information the extent, size, and timing of revenue sharing and in lieu of tax payments which various Federal agencies distribute to states and local governments. More specifically, the resource study identifies for each of the years 1957 to 1966 the amount of revenue sharing and in lieu tax payments made to states and counties according to the applicable program, the Federal agency administering the program, and the amount of relevant Federal land for each program, wherever such acreage is applicable. These data were not only examined within the scope of the Section 10 land programs but also included various other Federal lands on which revenue sharing and in lieu tax payments were made.

The resource study also established the bases upon which state and local government finances could be examined. In formulating these bases, data pertaining to state-local government revenues and expenditures were accumulated from various published sources; additionally, data pertaining to state-local government, population, personal and effective buying income and other socioeconomic data were collected.

Also included in the work scope of this phase is the examination of Federal land related aid programs which are neither of the PILT nor RS variety. They are the Forest Highway Fund, Sliding Scale Highway Aid Program, and Public Land Highway Program.

Also included in this part of the study is an examination of the Reclamation Fund. The objective pursued was to obtain estimates for the 10-year study period on the relationship of Reclamation Fund revenues and expenditures by state, excluding appropriations from the General Fund of the Treasury.

One of the major tasks in this phase of the study is the organization of the various numerical data in compatible annual format and its preparation for machine tabulation and processing. Hence, a data bank was to be created which was to comprise, in one place, the PILT, RS, acreage and demographic data, for the period 1957-1966, for all programs, including the land-related aid programs which do not fall into either of the two named categories. Moreover, this data bank was to be converted from the original source documents -- Federal agency payment vouchers, published reports of the various land management agencies, and the Bureau of the Census -- to magnetic computer tape in a manner meeting the standards commonly prescribed for such large-scale data banks. In turn, computer programs facilitating the selective retrieval and analytical-type calculations, as well as the full tabulation of the data, were to be prepared. The anticipated results from these efforts were purposes extending beyond the scope of this study in that for the first time comprehensive data were to have been generated which, for example, could serve a variety of purposes in connection with other studies in the PLLRC's research program and also provide the various Federal land management agencies with a data source containing data relating to themselves and each of the other land managing agencies, thereby facilitating their program evaluation specifically in interagency comparative analyses.

The primary purpose of any data collection phase is, of course, the analyses which are thereby facilitated. The analysis phase of this study part is concerned primarily with broad public policy considerations in light of changed economic and social conditions as compared with those prevailing at the time when the bulk of the legislation relating to payments from the public lands was passed. In this context, aspects of public policy considerations include the economic efficiency of present land management practices and the feasibility of transferring a greater share of the burden and the income to state-local governments.

A further task within the analysis phase of this study scope is the review of the various legislative, agency, scholarly and interest group proposals for alternative methods, procedures and laws relating to in lieu tax and revenue sharing programs Over 70 such proposals were to be categorized and cataloged and a selected few, those which from public policy points of view could best be analyzed, were to be subjected to in-depth reviews and their potential effects, in terms of the resulting payments to state-local governments and the cost to the Federal government, tested and compared against the payments accrued for 1966.

Finally, an evaluation was to be made of the kinds and nature of data not available but which would have facilitated evaluation of governmental policies. To be developed were statements relating to desirable reforms in data collection and maintenance which could in the future provide the factual bases for meaningful analyses of land management programs, their impacts on society, and enable legislators, administrative agencies and state-local governments to derive decisions on a more informed basis.

C. Case Study: Essentially, the case study part of this project is an extension of the resource study emphasizing the actual influence of major public land ownership and use situations on the financial structure of state and local governmental units. Short of a statistical stratification of sample case studies -- an approach which is believed to be impracticable for this subject matter or, at least, unduly expensive and unwarranted -- the case states and counties were to be chosen to provide "a representative range of management, land use and geography." To this end, the conduct of these case studies was preceded by a pilot study (in five case counties) and a mail questionnaire distributed to over 300 counties containing significant public lands.

Besides all of the inputs relating to PILT and RS encompassed in the resource part of this study, the case studies comprised the collection and analysis of data relating to (1) state and local governmental budgets; (2) receipts from PILT and RS at the county level including in kind benefits; (3) the costs to state and local governments of providing services to or in relation with public lands; (4) other Federal aid programs specifically related to public lands, such as the sliding scale provisions under the Highway Act; (5) comparisons in the treatment of public domain and acquired lands; (6) the managerial functions of and resource program expenditures by the Federal land management agencies; (7) the difference between so-called sharing of net revenues versus gross receipts; (8) the difference in state and local government receipts from present PILT, RS and other Federal land related assistance programs and the taxes "lost" due to immunity of the lands to taxation by state and local governments; and (9) the impact of the present system on the economic efficiency of Federal public land management.

Quantitatively, the case study phase covered five states -- three from among the "public land states"1/ and two others2/ -- and 50 counties located in 19 states and representing all of the current PILT and RS programs excepting some minor programs.

Also included in the activities related to this study scope was a fact-finding mission to determine the extent to which state and local governments were using their existing powers to tax leaseholds and other possessory interests of third parties in Federal real property and a comparison of these situations with the practices attending to non-Federal lands.

A Vocabulary of Abbreviations used in this report, is contained in this volume following the Table of Contents.

A Bibliography is included on pages 206-213.

1/ The terms "public land states","public land intense states" and same for counties have been used interchangeably.

2/ A list of the case states and counties is contained at the beginning of Part 3 of this report.

III. Summary of Findings

A. Abstract

Revenue sharing in lieu of tax payments and other public land-related aid programs were found to be inelastic. They have not kept pace with the growth in state-local governmental revenues from their own sources, nor with other Federal aid programs. While the overall effects from the public land-related payments are a considerable inequity as compared with state and local property taxes, the results for specific states and local governments are highly diverse. The states with the greatest amount of public lands are also the most adversely affected. Situations exist in which Federal land-related payments and other benefits exceed potential property tax revenues, if the lands were taxed as though in private ownership, while in others substantial net burdens result.

In the aggregate, public land-related payments to state-local governments are financing an increasingly smaller share of the growing need for revenues by these units of government. The results are a sharp increase in public indebtedness and strong pressures for increased taxation from other non-land-related sources and demands for greatly increased assistance in services and grants from the Federal government.

Present multiple use land management policies are not geared to optimizing potential current revenues for Federal, state and local governments from market value goods. The results are smaller revenue sharing payments than otherwise might be feasible. Similarly, the current Federal land management practices, in general, are not oriented to maximizing economic efficiency; rather, they combine a variety of purposes -- prominently those of conservation and long-term resource development -- and emphasize values for which commonly accepted monetary equivalents do not exist.

The existing body of 50-odd statutes relating to the management, disposition, in lieu tax payments and revenue sharing on the public lands, lack uniformity and a consistent policy approach. In various aspects, the intent of Congress is not being accomplished. For example, the exclusion of certain public lands from eligibility in Sliding Scale Highway Aid payments results in substantial inequities for 14 ineligible states. In other ways, following the intent of Congress unduly complicates both administrative procedures and the use of payments. Earmarking, for example, can have the effect of reducing otherwise available grants.

What lands the Government owns, what they are worth on the open market and, sometimes, where they are, remain substantial questions. For better land use and management much more than now is readily known must be made available on a current basis.

Policy considerations for alternative systems to replace the present PILT and RS system have been evaluated. Nine major alternatives have been studied in detail to test their effects.

B. Legal Analyses

1. The Federal statutes providing for financial compensation to state and local governments are, for the most part, divided into two different categories: (1) those providing for the sharing of a percentage of the revenues realized from certain economic activities on Federal lands and, (2) those providing for payments in lieu of taxes, generally out of revenues produced by the lands to which the statutes relate.

2. The Federal statutes exhibit little uniformity with respect to such items as: (1) the lands to which they apply, (2) the formulas employed, (3) the recipient units of government, (4) the timing of payments and (5) the restrictions placed on the use of payments made. In short, there is no overall Federal "system" providing for financial compensation to state and local governments with respect to Federally owned lands. The statutes were enacted over a period of some 60 years and represent a piecemeal approach to a single problem.

3. Despite the complexity of many of the statutory provisions, no instances were discovered in which the Federal agencies administering the statutes deviated in any way from the statutory provisions. The statutory provisions are specific on the percentage of revenues to be shared and on the basis on which payments in lieu of taxes are to be made. In other respects they contain few, if any, guidelines as to their administration. The legislative histories of the various statutes also contain few, if any, guidelines for their administration. The area where agency discretion manifests itself to the greatest extent is in the pricing of products realized from the Federal lands on which, ultimately, revenues depend. In this area, the Federal agencies have wide discretion with respect to Federal land and resource management.

4. The revenue sharing formulas are essentially arbitrary in nature. A review of the legislative histories of these statutes reveals that the percentages adopted were not based on any economic analysis or research as to what the tax loss would be to state and local governments because of the tax exempt status of Federal lands. The payment in lieu of tax statutes, which are of more recent origin, are more closely related to tax losses, and the legislative histories of these statutes reveal a greater reliance by Congress on quantitative data than was the case with the revenue sharing statutes.

5. Where statutory restrictions "earmark" the use of payments received, all of the Federal agencies reported that they conduct no audits to determine whether state and/or local governments in fact observe the restrictions.

6. Generally speaking, revenue sharing statutes apply to public domain lands and payment in lieu of tax statutes apply to acquired lands.

7. With a few exceptions the Federal revenue sharing statutes provide for a sharing of gross revenues, i.e. the statutes, generally speaking, do not contain provisions for deducting administrative and other costs prior to sharing.

8. State government statutes, which provide for revenue sharing and/or payments in lieu of taxes to local governments on state owned land, exhibit at least as much diversity as the Federal statutes.

9. The states have by and large authorized the taxing of less than fee interests in Federal lands. From state to state these laws vary considerably as to the interests that may be taxed. In addition, within each state, the practices vary from county to county.

10. Australia and Canada both have laws providing for financial compensation to local governments because of burdens created by public land ownership. From the fragmentary information available, these laws appear to be mostly of the PILT variety. However, most of the publicly owned lands, particularly in Canada, are owned by the Provincial governments. The systems in Australia and Canada are not directly comparable with the United States.

C. Level and Effects of RS and PILT Payments

1. The Federal government is the largest single owner of land in the United States. Out of 2,271 million acres in 1966, 765 million acres were Federally owned. Section 10 PL 88-606 lands, including all public domain land and a portion of the acquired lands, amounted to 734 million acres. The bulk of these lands were under the control of three agencies: The Department of the Interior's Bureau of Land Management, Fish and Wildlife Service and National Park Service; the Department of Agriculture's Forest Service, and the Department of Defense.

2. Conservatively estimated, the Federal lands currently have an estimated market value of $18,875 million, of which the market value of Section 10 lands represent $13,014 million. The privately owned lands in the U. S. have an estimated value of $1,681,226 million, almost 100 times that of the Federal lands.

3. More than 90% of the Section 10 lands are located in 13 western states. They include virtually every type of land imaginable; some almost worthless, some very valuable. On the whole, these lands are not very productive. Most of them have never been on the tax rolls of state and local governments.

4. Under existing Federal statutes, there are 28 revenue sharing and in lieu of tax payment programs in force, 11 affecting Section 10 lands and 17, mostly of the PILT type, on non-Section 10 lands. During the 10-year period, 1957-1966, the states and counties received $1,022 million in payments under PILT and RS programs with $736 million applying to Section 10 lands. In addition, the Federal government apportioned $918 million in appropriated funds under three public land-related programs for highway construction assistance to those states where national forest and other public lands predominate.

5. PILT and RS payments to the benefiting states increased steadily during the 10-year period. Total 1966 payments were 62.2% larger than in 1957. This, however, was a lesser rate of growth than that of total personal income in the United States. More importantly, state and local revenue needs in the same period increased almost twice as fast as the level of Federal land-related payments.

6. Shared revenue payments are not related to the acreage or to the financial burdens caused by the presence of public lands. They represent solely a sharing of the proceeds from use of the lands under Federal management policies. The 12 major public land states, which contain 93.5% of the lands, received about 82% of all PILT and RS payments made in 1966.

7. The current payment system is not related to the economic value of the public lands. PILT and RS payments to state and local governments on Section 10 lands amount to less than half of the potential tax revenues if the Federal lands were taxed as though privately owned. On this basis, the states and localities suffered a "tax loss" of nearly $97 million in 1966. Some areas received more in payments than they would have received in taxes, and other areas received less.

8. Per capita expenses of governments have risen more rapidly in public land intense states than elsewhere. Property taxes per capita in these states have increased by 80% over the last 10 years compared with an average rise of 63% in 38 other states. The average person in the Federal land states, in 1966, paid $1.39 in property tax for each dollar of property tax paid by the average person elsewhere. The per capita payment in the five case states was 81% more than in 1957.

9. PILT and RS payments on Section 10 lands represent only a fraction of the property taxes which have been levied on private lands to meet the

costs of state and local governments. In the public land intense states, these payments in 1966 amounted to only 1.6% of the property taxes, and their effectiveness in supplementing state-local revenues had fallen off by more than 27% since 1957.

10. State and local governments in the public land intense states have to pay more for government goods and services of the kinds and quality provided in other states. Because of the presence of the public lands and low population density, per capita educational expenditures in 1966 ran 36% higher than in states of comparable low density but with a lesser proportion of public lands. Similarly, highway expenses were 11% higher, and health and public welfare services per capita were more than 40% larger.

11. There is little or no correlation between the property taxes levied in a state and the payments received from public lands in that state. In 24 states where the payments were less than 20¢ per acre in 1966, the tax on private lands varied from $2.10 to $44.37 per acre.

12. The presence of public land creates benefits and burdens affecting all levels of government. Localities far from public land intense areas may benefit through consumer demands caused by certain uses of public lands while the economy in public land intense areas is financially strained by expenses for fire protection, law enforcement and other unusual costs because of the public land. The indirect benefits from nonmarket-goods type land uses and burdens appear to outweigh those which can be measured directly. The present state-of-the-art is inadequate for quantifying even a fraction of the total benefits accruing to the nation as a whole from the effective multiple use management of the public lands. Measurement of the indirect benefits at any level is beyond the scope of this report; however, it was observed as being significant in areas where intensive recreational uses are made of public lands.

13. There exist wide ranging differences in the economic effect upon localities as a result of public lands. The effects tend to be increasingly adverse in public land intense states wherever the PILT and RS payments are lowest and in such communities, the quantity and quality of public services also tend to be lower than in counties with less public land.

D. Case States and Counties

1. Payments to states and counties from public land-related programs in the case study universe do not keep pace with the increase in other state revenues and expenditures. Per capita payments in the five case states increased by 7% over the 1957-1966 study period while taxes, exclusive of corporate income taxes, increased by 81% per capita. Had the Federal lands subject to PILT or RS payments been taxed as though private, it was estimated that payments to states and local governments would have been 17% more in 1966, and more equitably distributed. In the 50 case counties, payment of taxes would, for 1966, result

in an estimated increase of 18.14¢ per acre and for the "average county" obtain an increase of $254,000 in Federal payments. PILT and RS payments in case counties have provided as little as 0.2% of the cost of education and highways and as much as 78.2% of these expenditures, evidencing the great disparity among counties.

2. In lieu tax payments are typically made on acquired lands. They result in higher per acre payments than revenues shared from comparable lands.

3. Withdrawals and exchanges of Federal lands do occasionally result in the loss of property taxes, especially when lands in one county are exchanged for lands in another. On average, this is not a broadly experienced problem. Similarly, periodic suspension of logging and the acquisition of depleted lands, for a period of restoration to attain sustained production potential, will cause reduced revenue sharing and no tax revenues.

4. Taxation by state-local governments of possessory interest on public lands, though mostly permitted, results, on average, in negligible revenues. An exception is on mining properties where equipment of high value results in significant local tax revenues.

5. In kind benefits obtained by states and counties occasionally exceed shared revenues; the Forest Service provides more free goods and services than any other land management agency. This and other agencies provide a broad range of services to state, local and user organizations, mostly of a technical nature, the value of which cannot be readily quantified.

6. The collection of K-V funds and the cost of constructing timber harvest roads result in substantial reductions in the revenues available for sharing; for some counties the "loss" in shared revenues exceeds the amounts paid them.

The deduction of administrative expenses by BLM from the sale of public land and materials "costs" states 20% in shared revenues.

7. The Federal agencies' annual resource program expenditures bear no relationship to the market value of goods sold; these expenditures cover a broad range of activities, many of which are unrelated to values for which commonly accepted monetary values exist. In the aggregate, resource program expenditures have increased sharply and exceed the gross revenues from public lands.

8. Counties incur financial burdens for the provision of public services on or related to public land and its uses which, in many cases, exceed or substantially diminish the revenues obtained from public lands. Incremental costs are typically incurred by counties for provision of law enforcement, fire protection and fighting, health and welfare services, highway construction and maintenance. State subventions and equalization payments to public land intense counties are higher, per capita, than the state averages.

9. Public land intense counties, for the most part, have adopted more conservative fiscal policies than the U. S. average; their incurrence of debt over the 10-year study period was substantially below the national average, and the quality and quantity of services they were able to provide were adversely affected.

E. Principal Alternatives

1. From among nine principal alternatives examined, it appears that only Alternatives No. 1, 2 and 4 are comprehensive potential replacements for the existing system. The other alternatives examined are more in the nature of partial substitutes, variations and supplements to the present system. The payment of revenue shares on the basis of "gross receipts" rather than "net receipts" or an additional 10¢ per acre, for example, relates exclusively to the National Forests System. Conversely, the distribution of shared revenues by a five-year moving average, rather than as at present, would merely reduce the extent of annual fluctuations in payments but would not rectify the inequities and revenue deficiencies. Similarly, the distribution of current shares or larger shares on the basis of population or the Land and Water Conservation Formulas would create new inequities in that neither approach is directed at the specific revenue deficiency cause, i.e. the immunity of Federal land to property taxation.

2. Alternative No. 1 is most closely related to the cause of and compensates for the revenue deficiency of state-local governments. It would result in greater cost to the Federal government and requires elaborate administrative machinery for its operation.

3. Alternative No. 2 is also responsive to the cause of state-local revenue deficiencies and inequities in the present distribution of shared revenues. It provides incentives for maximized economic efficiency in land management and specifically in the application of resource expenditures. It restricts the cost to the Federal government to the net revenues from the public land uses, limited to the revenue sources which are currently shared. It equalizes the percentage shared as opposed to the present different percentages prescribed by law. It requires the segregation of management costs applied to revenue producing activities and other conservation functions. It also requires the elaborate administrative machinery for the appraisal of land values as in Alternative No. 1.

4. Alternative No. 4 provides a uniform per acre payment irrespective of the economic activity or the value of the land. Whereas the 10¢ per acre level of payment is less than the 1966 distribution in the aggregate, the 25¢ per acre level would result in increased cost to the Federal government. Because of the uniform payment for all lands, it is simplest in administration, and would result in savings in current administrative costs. At both levels of fixed payment per acre, it would result in large shifts in receipts among the states and counties. Those with highly productive Federal lands would lose, and those with the least productive lands would gain.

PART 2

DESCRIPTION AND ANALYSIS OF LAWS AND PRACTICES PROVIDING FOR REVENUE SHARING AND/OR PAYMENTS IN LIEU OF TAXES

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PART 2

Description and Analysis of Laws and Practices Providing for Revenue Sharing and/or Payments in Lieu of Taxes

I. Introduction

This part of the report is a description and analysis of the laws (both Federal and State) and practices providing for revenue sharing and/or payments in lieu of taxes. This chapter also describes certain other laws providing for financial compensation to State and local governments with respect to publicly owned lands.

Throughout this chapter references will be made to the various Digests compiled concerning each Federal statute. These Digests are found in Part I of Appendix No. 1 and each Digest contains the applicable text of each statute. The Digests also contain the relevant portions of the legislative history of each statute and a description and explanation of each statute. References to Digests are indicated by a parenthesis with the appropriate Digest number, viz (Digest LA). The references are intended to direct the reader to supporting, illustrative or explanatory material for statements made in this chapter.

There are no Digests relating to the State laws in this area. The appendix does contain a more extensive description and analysis of the State laws than that provided in the main body of the report. The appendix also contains a chart presentation of the various laws of the fifty States known to exist, relative to payments made to local governments with respect to State owned lands.

The objective and scope of this part of the study are described in Part 6, Section A of this report.

II. United States Federal Statutes

A. Historical Background

The United States historically has been and remains the largest landholder in the nation. At times Federal land ownership has approached eighty percent of the country's land area; today the percentage is approximately thirty-three percent.[1]

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[1] Public Land Statistics 1966, United States Department of the Interior, Bureau of Land Management, U.S. Government Printing Office, p. 1 (1966) (hereafter referred to as "Public Land Statistics 1966").

The ownership of such large quantities of land has occasioned an enormous amount of Federal legislation during the past one hundred and seventy-five years designed to deal with the myriad problems associated with real property ownership. A large part of this legislation deals with the management of the public lands, *e.g.*, statutes dealing with mining claims and mining rights, land exchanges and the management of National Parks, National Forests, etc. There are approximately forty statutes which provide, in one fashion or another, for financial compensation to the States and/or their political subdivisions for the revenue or tax losses which these units of government may suffer by reason of their constitutional inability to levy ad valorem taxes on Federally owned lands within their borders.

Included within this body of law are the various statutes providing for the admission of new States into the Union. Beginning with Ohio in 1802 and ending with Alaska in 1958 these laws almost uniformly provide that five percent of the net proceeds realized from the sale of public lands is to be shared with the States in which the land sold is situated. An examination of the little legislative history that exists concerning these statutes reveals that the sharing of a portion of the proceeds from public land sales was regarded as part of the *quid pro quo* granted to the States in return for the new States agreeing to certain terms and conditions upon admission.

These statutes should be distinguished from later legislation providing for financial compensation to States and local governments because of the burdens imposed by tax exempt Federal lands in that their primary purpose is *not* to provide financial compensation to the States. Rather, the payments made under these statutes are but part of the consideration furnished by the United States to the newly admitted States in return for their agreeing to certain terms and conditions[2].

It was not until the early part of the twentieth century that any significant legislation was enacted for the express purpose of providing compensation to the States and/or their political subdivisions for the revenue or tax losses which these local units of government might suffer by reason of their constitutional inability to levy ad valorem taxes on Federally owned lands within their borders.

The reasons for the long absence of this type of legislation are not difficult to understand. During the greater part of the nineteenth century the national government's policy with respect to the public lands was largely one of disposal, that is the transferring of publicly owned lands to private ownership.[3] The results of this policy can be seen by the fact that most of the land of the midwestern States which was at one time almost entirely in Federal ownership has passed into private hands. The remaining public lands at the end of the nineteenth century were to a large extent uninhabitable or uninhabited. The revenues or taxes flowing from them were relatively unimportant so long as the public domain was open to private entry and it was assumed that the policy of land disposal was going to continue. Accordingly, until the early part of the twentieth century little thought and attention was devoted to the economic or fiscal impact of the public lands on State and local governments.

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[2] A complete discussion of these statutes may be found in Digest LA.

The closing of the frontier at the end of the nineteenth century gave indication, however, that the national government's policy towards its landholdings was undergoing a major change. No longer was the public domain to remain open to unrestricted entry, nor was disposition of the public lands to remain the dominant Federal policy. The establishment of Yellowstone National Park in 1872, the passage of the Forest Reserve Act in 1891 and the liberal exercise of the executive authority to withdraw public lands from the operation of the public land laws, all evidenced a changed attitude on the part of the Federal Government as well as the public at large and initiated an era which has been characterized as the "closing of public domain".[4]

It was the withdrawal of substantial amounts of acreage in the West for the initial creation of the National Forests by Presidents Cleveland and Roosevelt that immediately focused attention on the fiscal impact which a Federal policy of large-scale retention of public lands could have on the States and local communities. These withdrawals also gave rise to the first legislation in 1906 providing for financial compensation to the States to offset the loss of revenues and taxes occasioned by the presence within their borders of tax-free Federally owned realty.

The 1906 legislation provided for a sharing of revenues realized from National Forests with the States. The purpose of this legislation was clearly stated in the 1908 Congressional debates which made this legislation permanent.

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[3] See, Clawson, Marion and Held, Burnell, The Federal Lands: Their Use and Management, University of Nebraska Press, (Bison ed.) Lincoln, pp. 16-17.

[4] See Clawson and Held supra note 3 p. 27; Dana, Samuel T., Forest and Range Policy Its Development in the United States, McGraw-Hill (New York, 1956) p. 98ff; and Peffer, E. Louise, The Closing of the Public Domain Stanford University Press (Stanford, 1951) pp. 8-110.

> "The States are unable to collect any taxes within this area, permanently withdrawn from settlement and sale. But at the same time the State is burdened with the expense of maintaining the public roads, of executing the criminal laws, and all that appertains to a police jurisdiction over that region...
>
> "...Instead of leaving the entire burden of police regulation over that area upon the State without any compensating benefit, Congress thought proper to authorize and direct that a certain percentage of the receipts from the sale of timber and other things should be paid over to the States in order to compensate them for the expense incident and unavoidably incident to the administration of the local law."[5]
>
> "The forest reserves are reserves, presumably, for all time. Therefore settlement upon them practically stops. There may be a few exceptions. So, on the face of the proposition, there should be some contribution from the United States for the settlers. This amendment is an exact duplicate of the law as it now stands, enacted three or four years ago, setting apart 10 percent. That has been thought too little by some, and hence 25 percent is now proposed in the exact language of the existing law. It is not establishing a new policy, but it is enlarging the scope of it from 10 to 25 percent, in lieu of the taxation that would be received if the reserves were open to settlement....
>
> "...Now take half of a State and throw it into a forest reserve; it is so much not subject to taxation. Hence this proposition of paying the State some portion of the income, so that the Government may pay a part toward the education of the youth of the State and the care and support of the State Government."[6]

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[5] 42 Cong. Rec. 5924 (1908) (remarks of Senator Carter).

[6] *Id.* at 6058 (remarks of Senator Warren).

The same feelings were expressed in 1920 concerning the reasons for enacting legislation which provided for the sharing of a portion of mineral royalties received from the leasing of mineral rights on Federal land.

> "I feel that this is one of the most important sections of this whole bill. I think it is one that the House should give very careful and considerate attention....[W]e should recognize the fact that the States have lost the power to tax these lands, and they are entitled to a certain amount of money in lieu of the taxation that would naturally come from these sources. Now, in the forest-reserve States the present law is that the States shall receive 25 percent of the receipts....[7]

B. Description and Analysis of the Existing System

1. Overview

Despite the fact that some thirty statutes providing for financial assistance to the States or local units of government were enacted in the sixty years following the original revenue sharing legislation of 1906, the statutes themselves exhibit considerable lack of uniformity. Figure L-1 following page 55 presents a summary of the Federal statutes comprising the existing system.[8] An examination of Figure L-1 reveals the diversity of the Federal legislation. Not only do the methods of computing the amount of financial assistance to be provided differ from statute to statute but so do such other factors as (1) the recipient governmental unit; (2) the timing of the payments; (3) the restrictions placed on the use of the payments received; and (4) the lands affected by each statute.

Practically all of the statutory provisions, however, fall into two easily distinguishable categories:

(a) The pattern which has been applied to most of the public domain lands and some of the acquired lands which are the subject of this Commission's study under Section 10 of the Public

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[7] 58 Cong. Rec. 7653 (1919) (remarks of Representative Snell).

[8] Detailed descriptions of each statute will be found in the Digests.

Land Law Review Commission Act is to make payments to State and local taxing jurisdictions which are calculated as a percentage of the revenue derived from economic activity on the public lands. Such statutes are referred throughout this report as "revenue sharing" statutes. Revenue sharing provisions have generally been enacted as part of or as an adjunct to legislation which authorized the withdrawal of public lands from unrestricted entry under the public land disposal laws and/or provided for the regulated use of such lands or their resources. Examples are the 1908 National Forest Revenues Act (Digest LB) which stemmed from the Forest Reserve Act of 1891, discussed above, and the Taylor Grazing Act of 1934, (Digest LK) which closed the public grasslands of the West to unrestricted non-mineral entry and provided for management and conservation of those lands.

(b) As the multiplicity of Federal programs involving land acquisition by the Federal government began to expand in the second quarter of this century, the impact of Federal land ownership on State and local taxing jurisdictions was even more dramatically illustrated as millions of acres of land previously on State and local tax rolls, were transferred to Federal ownership and correspondingly exempted from State and local real property taxes. The Congressional response to this development was the enactment of a series of statutes applicable to specific acquisitions of land by the Federal government which authorized payments to local taxing jurisdictions roughly measured by the lost taxes associated with the acquired lands. These statutes concurrently granted the authority to acquire land for specific projects. They are hereafter referred to as "payment in lieu of taxes" statutes. Examples of this type of statute are the legislation authorizing the Tennessee Valley Authority (Digest LI), the St. Lawrence Seaway Development Corporation (Digest LX), and the Trinity River Division of the Central Valley Project in California (Digest LY).

These two groups of statutes comprise what may be characterized as the existing legal system, the analysis of which is the subject of this portion of the report.[7a] While these two groups of statutes embrace a wide variety of different types of Federal land, there are two categories of Section 10 public lands with respect to which, with one exception, there are no sharing of revenues with State and/or local governments and no payments in lieu of taxes made. These are the almost twenty-three million acres contained in the National Park System[8a] (Grand Teton Park excepted[9]) and the Outer Continental Shelf lands, of which approximately four million acres are currently under lease.[10]

[7a] In addition, there are a number of Federal statutes which permit State and local governments to directly tax certain real property to the Federal Government in the same fashion as if such property were privately owned. These statutes apply usually to the property of Federal Monetary Agencies, such as the Federal Reserve Banks or the Federal Home Loan Banks. These statutes represent an exception to the general body of Federal laws providing for financial compensation to State and local governments because of the presence of tax exempt Federal land or property. These are not included or analyzed in this study except for a brief discussion of the reasons which led to their enactment. This discussion may be found in Digest LAD.

2. Analysis

a. Rationale

i. General

Generally speaking, the purpose of both the revenue sharing statutes and the payment in lieu of tax statutes is clear from the legislative history of the individual statutes themselves. The purpose was to financially compensate State and local governments for the tax losses occasioned by the presence of tax exempt Federal land. As indicated previously, the first statute to be enacted of either type was the National Forest Revenues Act, first enacted in 1906 and made permanent in 1908. The Congressional debates dealing with the 1908 legislation are particularly informative concerning its purpose as the excerpts from the Congressional Record quoted above at footnotes 5 and 6 indicate.

[8a] Public Land Statistics 1966, pp. 28-29.

[9] The Grand Teton Park legislation was enacted in response to a special set of circumstances involving the gift to the United States of a large amount of privately held land (and hence subject to local taxation) for the establishment of the Park. For a discussion of this legislation see Digest LU.

[10] Public Land Statistics 1966, p. 84. While the acreage in this case is relatively small, the revenues produced by the OCS lands are not. Thus, for fiscal 1966 the Federal Government received almost two-hundred and fifty million dollars from rents and royalties from these lands. This is by far the largest source of revenue from any of the public lands. Id. at 170.

Reservations of public lands for National Forests represented only one purpose for which withdrawals were made, however. Early in the century there were also extensive withdrawals on mineral bearing lands, particularly oil, gas and coal lands, from unrestricted use[11] This type of withdrawal eventually caused the enactment of the Mineral Leasing Act of 1920 which set forth the policy of permitting the leasing of certain mineral bearing lands belonging to the United States. At the same time the policy of retaining title to these lands by the United States was also established. The Mineral Leasing Act contained a revenue sharing provision. This provision was the second revenue sharing statute of general applicability to be enacted. The Congressional debates dealing with the revenue sharing provision of this legislation closely parallel the remarks made concerning the earlier legislation dealing with revenues realized from National Forests as the excerpt from the Congressional Record quoted above at footnote 7, and the following excerpt from the same debates indicates:

> "Mr. Chairman, there should be no difference of opinion as to the rights of the States and their communities to be compensated for the great losses in taxing values which they will suffer by reason of holding perpetually in Federal ownership untaxed, very great areas of land that will in time support large populations and require great outlay for the support of the institution of government. The only question that ever ought to be raised in this connection is as to what portion of the rents and royalties that will be received by the Government are necessary to compensate the States and their communities for their loss in taxing value...."[12]

Two other pieces of legislation were enacted during this period, which provided for compensation to the States and local units of government, because of the presence of tax exempt Federal lands. These were the statutes dealing with the Oregon and California Railroad Grant Lands (1916), ("O&C lands" or "O&C legislation"), and the Coos Bay Wagon Road Grant Lands (1919)[13] ("CBWR lands" or "CBWR legislation"). These statutes are of particular application in that they relate only to certain geographically located lands, but they are of unusual interest in that they apply to lands which originally belonged to the United States, were subsequently disposed of to private parties and were then reacquired by the United States. Both of these statutes were later amended to provide different payment formulas.

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[11] For a fuller description of these withdrawals, see Digest LF and the materials cited therein.

[12] 58 Cong. Rec. 7772 (1919) (remarks of Representative Mondell).

[13] See generally Digests LD and LE.

The purpose of the original legislation in each case is made clear, however, by the following extracts from the Senate Committee report dealing with the 1926 amendment to the O&C legislation and the House Committee Report dealing with the original 1919 CBWR legislation:

> "Continued and willful violation by the railroad company of the settler's clause resulted in the commencement of a suit by the United States to declare a forfeiture of the unsold portion of the grant. The Supreme Court of the United States refused to declare a forfeiture, but held that the settler's clause was a continuing, enforceable covenant and that Congress could, by appropriate legislation, require performance.
>
> The Congress thereupon enacted the Chamberlain-Ferris Act, revesting in the United States title to the unsold portion of the grant and providing for disposition thereof. This act provided, among other things, for the payment to the State of Oregon and to the counties in which the grant lands are situated of 50 percent of the proceeds of the sale of the grant lands and the timber thereon, to be in lieu of taxes which would have accrued had the lands remained in private ownership.... 14/
>
> "These lands have been on the tax roll of Coos County for a great many years, and it would be a great hardship on the county to deprive her of the revenue derived therefrom, unless it is returned in some such way as is proposed by the pending bill. The same applies in some measure to Douglas County, but the greater proportion of the lands are situated, as you know, in the county of Coos...."15/

In some cases, particularly with respect to the payment in lieu of tax statutes, the purpose of the payment provisions is explicitly stated in the statute itself. Thus, with respect to the payments made by the Tennessee Valley Authority to State and local governments on lands acquired by the TVA the statute states:

> "In order to render financial assistance to those States and local governments...in which the Corporation has acquired properties previously subject to State and local taxation,..."16/

14/ S. Rep. No. 790, 69th Cong., 1st Sess. 1-2 (1926).

15/ H.R. Rep. No. 687, 65th Cong., 2d Sess. 15 (1918) (excerpt from letter of George M. Brown, Attorney General of Oregon.

16/ 16 U.S.C. § 831l (1964). (Digest LI).

Again, the reason for the payments made for the benefit of Teton County, Wyoming is made clear from the statutory language providing for such payments:

> "In order to provide compensation for tax losses sustained as a result of any acquisition by the United States,...of privately owned lands,..."[17]

Perhaps, the clearest expression of Congressional intent, however, for making in lieu tax payments to State and/or local units of government with respect to Federal tax-free realty is contained in the statute providing for payments to be made with respect to real property formerly belonging to the Reconstruction Finance Corporation. This statute states, in part:

> "The Congress recognizes that the transfer of real property having a taxable status from the Reconstruction Finance Corporation or any of its subsidiaries to another Government department has often operated to remove such property from the tax rolls of States and local taxing authorities, thereby creating an undue and unexpected burden upon such states and local taxing authorities and causing disruption of their operations. It is the purpose of this title to furnish temporary measures of relief for such States and local taxing authorities by providing that payments in lieu of taxes shall be made with respect to real property transferred on or after January 1, 1946...."[18]

Not all of the revenue sharing statutes or payment in lieu of tax laws contain such clear expressions of Congressional intent. Nevertheless, if such clear expressions of intent are sometimes lacking, the intent itself can usually be inferred from the legislative history of each particular statute.[19]

On the basis of the considerable evidence available it is abundantly clear that the Congressional purpose in enacting both the revenue sharing statutes and the payment in lieu of tax statutes was to provide financial assistance to State and/or local governments because of the presence within their borders of tax-exempt Federally owned land.

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[17] 16 U.S.C. § 406d-3 (1964). Full text Digest LU.

[18] 40 U.S.C. § 521 (1964). Full text Digest LZ.

[19] The Congressional retionale for each statute is discussed in Section IIB of each Digest.

As previously indicated, two types of public land are not subject to any revenue sharing or payment in lieu of tax provisions whatsoever. These are lands embraced in the National Park System (except Grand Teton National Park) and the Outer Continental Shelf lands ("OCS Lands")

So far as the National Park System is concerned the reason why there is no revenue sharing with local governments appears to be the assumption that park lands are not intended to produce revenues in the sense that mineral bearing lands or National Forests can and do produce revenue.20/ However, since there is no revenue sharing or payment in lieu of tax legislation in effect with respect to the National Parks except for Grand Teton National Park, it is difficult to determine specifically why Congress has not enacted any sort of legislation providing for either revenue sharing or payments in lieu of taxes with respect to National Park lands.

The OCS lands are another matter. Here it appears clear that the Congress felt that the States had been granted quite enough under the provisions of the Submerged Land Act and that anything, revenues included, which was derived from beyond the three-mile limit rightly belonged to the Federal Government.21/

ii. Specific Formulas

The reasons for the adoption of the revenue sharing and payment in lieu of tax statutes are reasonably clear, and it is equally clear that, with respect to the revenue sharing statutes at least, the basis of the particular formulas or percentages of revenues to be shared can be traced to the twenty-five percent figure adopted in the National Forest Revenues Act of 1908.

This is made quite clear from a review of the legislative histories of almost all the revenue sharing statutes.22/ In some cases

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20/ Clawson and Held *supra* n.3 at 290. Such revenues as the National Parks do produce are derived from various types of admission fees, sale of services and rents, permits and licenses. *Id*. at 449. Expenditures on National Parks have historically exceeded the revenues derived from them. *Id*. at 291.

21/ See Section IIB of Digest LW for the legislative history of the OCS statute.

22/ See, *e.g.*, Section IIB of the Digests of the following statutes: Mineral Leasing Act of 1920 (Digest LF); the Taylor Grazing Act of 1934 (Digest LK); the Migratory Bird legislation of 1935 (Digest LAB); the Bankhead-Jones Farm Tenant Act of 1937 (Digest LM); and the Army Corps of Engineers Legislation of 1941 (Digest LN).

the twenty-five percent figure was adopted outright, as in the Bankhead Jones Legislation and the Migratory Bird Act; in other cases it formed the basis, or at least the starting point, of the actual formula adopted, as in the Mineral Leasing Act, the Taylor Act and the Army Corps of Engineers legislation.

Of equal importance, however, is the circumstances that nowhere in the legislative history of the 1908 National Forest Statute is there any indication of the basis on which the twenty-five percent figure was adopted. The only indication given for the adoption of that percentage was that the earlier ten percent figure was "thought [to be] too little by some."[23] The inability of Congress to determine a percentage based on an analysis of relevent economic data such as the actual amount of tax losses accruing to States and local communities because of tax-free Federal land, was frankly admitted in the Congressional debates concerning the revenue sharing provision contained in the Mineral Leasing Act of 1920:

> "The question is how much of the rents and royalties are the States and their communities entitled in order to reimburse them for their losses in taxing opportunities. No one can say definitely. There is no way of more than approximately arriving at a determination of the matter."[24]

From the evidence available it seems clear that, (1) the percentages adopted are essentially arbitrary in nature, designed to accomplish a particular objective and (2) the arbitrary basis of the formulas date back to 1908. As indicated in the above quote, the probable explanation for the adoption of arbitrary and fixed revenue sharing formulas applicable to wide areas of land was the lack of relevant economic data on which to base more precise formulas. The lack of such data may also explain the adoption of the revenue sharing approach in these earlier statutes rather than the payment in lieu of tax approach more commonly found in statutes of recent origin.

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[23] 42 Cong. Rec. 6058 (1908 (remarks of Senator Warren). Furthermore, there is no discussion concerning the reasons for choosing the earlier 10% figure in 1906. The 1906 debates do indicate, however, that there was considerable pressure for the adoption of a 25% formula at that time. See, generally, 40 Cong. Rec. 7355 (1906).

[24] 58 Cong. Rec. 7772 (1919) (remarks of Representative Mondell).

The formulas adopted in the various payment in lieu of tax statutes are essentially different. These statutes relate by and large to comparatively small areas of land which had at one time been subject to local taxation and which were acquired by the Federal government for specific purposes. Accordingly, the tax or revenue losses to particular units of local government caused by the acquisition of such lands are subject to more accurate measurement. The availability of local fiscal data in these cases may well explain the more detailed Congressional reports and debates dealing with this type of legislation [25] and also the adoption of the in lieu of tax approach in general.

C. Lands Involved

1. Introduction

The Federal revenue sharing and payment in lieu of tax statutes apply to a wide variety of lands in all parts of the United States. In some cases, particularly the revenue sharing statutes, they are of general applicability, *i.e.*, they apply to types of lands rather than to specifically located acreages. In other cases, particularly the payment in lieu of tax statutes, they apply only to particular acreages. In still other cases, more than one statute may be applicable to the same lands. There are also differences between the various statutes in that some apply to both public domain lands and acquired lands while others are applicable only to acquired *or* public domain lands. One statute, the Migratory Bird Conservation Act (Digest LAB), has separate provisions relating to the payments to be made with respect to public domain lands and acquired lands. Finally, there are two categories of Federal lands (the National Park System and the OCS lands), with respect to which there is no applicable revenue sharing or payment in lieu of tax statutes. In short, not only do the statutes exhibit considerable variety in the formula adopted, they also exhibit equal variety with respect to the lands to which they apply.

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[25] See, *e.g.*, the material quoted in Section IIB of the following Digests: the 1933 TVA legislation (and the 1940 amendments thereto) (Digest LI); the 1948 Boundary Waters Canoe Area legislation (Digest LS); the 1950 Grand Teton National Park legislation (Digest LU); the 1955 RFC legislation (Digest LZ); and the 1964 amendments to the Migratory Bird Conservation Act (Digest LAB).

2. Analysis

a. Statutes of General Application

The prime example of a revenue sharing statute which applies to a type of land rather than to a specific geographic locality, is the National Forest Revenues Act (Digest LB). The statute applies only to National Forests, but it is interesting in that the same revenue sharing formula is applied to all National Forest lands, i.e., the same formula applies to both public domain lands and to acquired lands, in total some one hundred and eighty-two million acres.

The second major revenue sharing statute of general applicability is the Mineral Leasing Act of 1920, (Digest LF). Its revenue sharing provisions apply to certain types of mineral bearing lands located on the public domain. The important feature of this legislation is that it "cuts across" other statutes which may provide for revenue sharing or payments in lieu of taxes. This is because, regardless of the type of public domain land which is subject to lease, the revenue sharing formula of the Mineral Leasing Act is applicable. Currently there are mineral leases in effect on some sixty-two million acres of public domain lands26/ including leases on lands in National Forests. Thus, with respect to any public domain lands on which there are mineral leases, there may be more than one payment statute in effect. Mineral leases on National Forests and on Taylor Act lands (discussed below), are cases in point.

The third major statute of general applicability is the Taylor Grazing Act of 1934 (Digest LK). The legislation applies to all vacant,, unappropriated and unreserved public domain lands (except in Alaska). In practice it applies to some one hundred and sixty-eight million acres of lands located in ten western states.

There are, in addition, a number of other statutes of general applicability which apply to much smaller acreages.27/ Each of these

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26/ Public Land Statistics 1966, p. 75.

27/ Such statutes include the Federal Power Act of 1920 (Digest LG) (70,600 acres); the Migratory Bird Conservation Act of 1935, as amended, (Digest LAB) (7,865,200 acres); The Bankhead Jones Farm Tenant Act of 1937 (Digest LM); the 1941 legislation providing for revenue sharing with respect to lands acquired by the Army Corps of Engineers for flood control purposes (Digest LN) (6,734,800 acres); the 1946 legislation relating to sales of materials from public lands (Digests LQ); and the Mineral Leasing Act of 1947 for acquired lands (Digest LR) (5,195,421 acres).

statutes has its individual characteristics. Thus, the Mineral Leasing Act of 1947 for acquired lands applies only to acquired lands. Unlike the Mineral Leasing Act of 1920 which is applicable only to public domain lands, it does not "cut across" other payment statutes which may be applicable to the same lands. Rather, revenues under this legislation are shared under the formula, if any, applicable to the lands on which the leases are located. For example, receipts from rents and royalties from leases on acquired National Forest lands would be shared in the same fashion as other receipts realized from such lands. This legislation is also interesting in that it is one of the few revenue sharing statutes applicable to acquired lands. Other statutes of this type are the 1941 Corps of Engineers legislation (Digest LN); the Bankhead Jones Farm Tenant Act (Digest LM); and the O&C legislation (Digest LD). All of these statutes are revenue sharing statutes applicable to acquired lands.

Another statute which adopts the revenue sharing formulas of other legislation is the 1947 legislation providing for a sharing of receipts from the sale of materials from public lands (Digest LQ). Under this legislation, proceeds realized from materials on lands controlled by the Department of Agriculture are shared in the same fashion as other revenues realized from such lands, while proceeds realized from the sale of similar materials on lands controlled by the Department of the Interior are shared in the same fashion as are proceeds from the sale of public lands. The same statute also provides that the revenue sharing formula applicable to O&C and CBWR lands is applicable with respect to sales of materials on these lands.

Directly to the contrary is the Bankhead Jones Act (Digest LM). Under this statute revenues realized from lands acquired under the authority of the act are shared in the same fashion regardless of which government agency administers the lands.

Perhaps the most unusual act of this group is the Migratory Bird Conservation Act (Digest LAB). As amended, this legislation provides for differing payment formulas depending on whether the land is public domain land or acquired land and, so far as is known, is the only statute to contain a dual payment formula. In terms of acres affected (approximately eight million) this legislation is relatively insignificant. It is one of the most recently enacted of the statutes (1964), and clearly reflects the differing treatment which has generally been accorded by the Congress to public domain and acquired lands.

b. Statutes Applying to Certain Geographically Located Acreages

There are a number of revenue sharing statutes which are applicable to specific, though usually not contiguous, geographic areas of land. All of the payment in lieu of tax statutes share this characteristic. In some cases the acreage covered is extensive; in most cases it is relatively small and in most cases the statutes are payment in lieu of tax statutes.[28] With a few exceptions all the rest of the statutes are basically payment in lieu of tax statutes although each has its own variations. Thus, for example, in the CBWR, BWCA and TVA legislation, the in lieu of tax payments are made only out of revenues produced by the lands to which the statutes relate. The Grand Teton National Park legislation places a ceiling on the in lieu payments that may be made based on a percentage of the receipts for fees taken in at the Park, while under agreements entered into between the Department of the Interior and local units of government under

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28/ The statutes of this type and the acreages to which they apply are the 1910 legislation providing for the admission into the Union of Arizona and New Mexico (Digest LC), 1916 O&C legislation, as amended (Digest LD) (2,563,700 acres), the 1919 CBWR legislation, as amended (Digest LE) (74,500 acres), the 1928 Boulder Canyon legislation as amended (Digest LH), the 1933 TVA legislation, as amended (727,100 acres), the 1937 Columbia Basin Project (Digest LL) (58,900 acres), the 1946 AEC legislation (Digest LP) (48,500 acres), the 1948 BWCA legislation (Digest LS) (743,700 acres), the Grand Teton National Park legislation (Digest LU) (37,000 acres), the 1954 St. Lawrence Seaway Act (Digest LX) (2,900 acres), the 1955 Trinity River Basin Project legislation (Digest LY) (19,800 acres), the 1955 RFC legislation (Digest LZ) (800 acres) and the 1964 Klamath Wildlife Refuge legislation (Digest LAC) (172,000 acres). The average figures cited reflect the 1966 status and were obtained from the data bank generated as part of this project

The fact that the lands to which these statutes apply are usually not contiguous is a result of the land acquisition pattern of the administering agency or department involved. Thus, real property formerly held by the RFC is situated in many communities. Similarly, the AEC has acquired real property with respect to which in lieu of tax payments are made in several different localities.

the Columbia River Basin Project legislation, a percentage of revenues from leased lands is one of the limitations imposed on the amount of the payments that may be made. Finally, the Boulder Canyon legislation is unique in that it provides for fixed annual sum payments to Arizona and Nevada in commutation of a sharing of revenues. This statute also requires that enough revenue be generated from the sale of electricity to ensure that fixed sum payments are made.

The other statutes of localized application merely provide for payments in lieu of taxes in one form or another, and they usually all apply to lands acquired for specific purposes, e.g., the AEC plants, the St. Lawrence Seaway, etc.

D. Administration

1. Agencies

The administration of the revenue sharing and payment in lieu of tax statutes is divided among a number of government departments and agencies. The administration of each statute is lodged with the particular agency which has overall charge of administering the lands or projects to which the payments relate. The two principal administering agencies, in the terms of the number of acres under their jurisdiction, are the Bureau of Land Management (BLM) in the Department of the Interior and the Forest Service in the Department of Agriculture. BLM manages the Taylor Act lands (Digest LK), the O&C lands (Digest LD), and the CBWR lands (Digest LE). BLM also is charged with the responsibility, in conjunction with the U.S. Geological Survey, for the administration of mineral leases, including leases on OCS lands (Digests LF, LR and LW). Finally, most sales of public lands are conducted by BLM (Digest LA). The Forest Service, on the other hand, has jurisdiction over the National Forests (Digest LB) and certain other lands such as some of the lands acquired under the Bankhead Jones Farm Tenant Act (Digest LM), comprising one quarter of the total Federally owned land.29/

Other agencies charged with administering public lands and with making revenue sharing or in lieu tax payments are the Bureau of Sport Fisheries and Wildlife ("BSF&W") and the the Bureau of Reclamation, both in the Department of the Interior. BSF&W has jurisdiction over the wildlife refuges with respect to which payments are made under the Migratory Bird Conservation Act (Digest LAB), while

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29/ Public Land Statistics 1966, p.1.

the Boulder Canyon Project (Digest LH), the Trinity River Project (Digest LY), and the Columbia River Basin Project legislation(Digest LL) are administered by the Bureau of Reclamation.

In addition, the following agencies of the Federal government have jurisdiction over Federal lands covered in this study and with respect to which revenues are shared or payments in lieu of taxes are made to State and/or local governments; the Tennessee Valley Authority (Digest LI), the Atomic Energy Commission (Digest LP); the St. Lawrence Seaway, Development Corporation (Digest LX); the Office of Education (Digest LV), the Army Corps of Engineers (Digest LN) (acquired flood control lands), the General Services Administration (Digest LZ) (RFC property); the National Park Service (Digest LU) (Grand Teton National Park); and the Federal Power Commission (Digest LG). In most cases the name of the administering agencies indicates the type of lands which they administer.

2. Administrative Materials

The administration of the revenue sharing and payment in lieu of tax provisions of the Federal public land laws by the various Federal agencies and entities, as distinguished from the administration of the Federal lands to which these laws relate, may fairly be described as a "bookkeeping" or an accounting operation. This is perhaps a result of the various revenue sharing and payment in lieu of tax provisionsthemselves which are couched either in terms of a percentage of revenue or based on fixed land values to which a locally established tax rate is applied.[30] The orientation towards accounting reflects the statutes themselves which are concerned with the distribution of revenues or the making of in lieu of tax payments, not with the production revenues themselves or, for the most part, with assessing taxes. An apparent consequence of the "bookkeeping" nature of the statutes is the unusual lack of regulations, rules or manuals which relate specifically to the implementation of the payment in lieu of tax and revenue sharing provisions. For example the St. Lawrence Seaway Development Corporation (Digest LX), the Atomic Energy Commission (Digest LP), and the Bureau of Reclamation (Digest LH), appear to have no regulations or rules dealing with the payment in lieu of tax or revenue sharing provisions which they administer.

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[30] In the BWCA legislation, (Digest LS) and the Migratory Bird Conservation Act legislation (Digest LAB) the tax "rate" is contained in the Federal statute itself.

Such administrative pronouncements as do exist as exemplified by the applicable portions of the BLM Manual and the Forest Service Manual or in TVA Accounting Procedure 26,[31] deal almost entirely with either the accounting procedures needed to effect the statutorily prescribed payments, or with the land evaluation methods which are to be utilized in determining the amount of payment in lieu of taxes as in the case of the Migratory Bird legislation (Digest LAB), the CBWR legislation (Digest LE and the BWCA legislation, Digest LS). Insofar as the land evaluation techniques are concerned most of the agencies involved reported that they employ standard real estate evaluation methods along the lines set forth by the American Insitute of Real Estate Appraisers. The work is almost always done in the field with manuals or standard textbooks supplying the guidelines. Most field personnel engaged in this type of work have taken courses given by the American Institute of Real Estate Appraisers. Discussion of particular appraisal techniques employed and the manuals and other guidelines used may be found in Digest LS (BWCA lands), Digest LAB (wildlife refuges), and Digest LE (CBWR lands).

In some cases it appears that the administrating agencies feel that the payment in lieu of tax or revenue sharing statutory provisions are so clear as to preclude the necessity of promulgating regulations. This is the case, for instance, with respect to the Boulder Canyon legislation administered by the Bureau of Reclamation (Digest LH). In other cases representatives of the various agencies have indicated in informal discussions that the agencies have "never gotten around" to writing any regulations.

On the other hand, the various agencies do have extensive administrative materials relating to the pricing of products to be sold from Federal lands, the receipts from which make up the revenues which are shared with States and/or local governments under the various revenue sharing statutes. Thus, both the Forest Service and the Bureau of Land Management have numerous materials on the methods to be utilized in determining "stumpage value" which is the basis on which contracts are let for timber cutting. BLM also has extensive administrative materials relating to the calculation of mineral rents, royalties, and bonuses as well as established procedures for appraising land for sale purposes. The techniques employed in product pricing are more fully discussed in the various digests.[32]

31/ Part 1373 of the BLM Manual and Title 6500 of the Forest Service Manual, for example, are in effect bookkeepers' handbooks in which even the account numbers are specified with respect to which receipts or payments are to be debited or credited. TVA Accounting Procedure 26 is virtually a rewording of the applicable TVA payment in lieu of tax provision. See EBSMC PLLRC File no. 220.

32/ See particularly Digests LB and LD for timber appraisal practices; Digest LA for land sale practices, Digest LK for the calculation of grazing fees, and Digest LF for the administration of mineral leases.

Obviously this type of administrative material does not exist with respect to the payment in lieu of tax statutes. Payments under a number of these statutes are not dependent on the production of revenues. Since these statutes usually relate to previously determined assessed land values, the need for even accounting manuals with respect to their administration is minimal. The administering agency or its local office determines the local tax rate, applies it against the land value, determined as of the date of the acquisition by the Federal government, and either makes the appropriate payment itself or requests that the Treasury do so. In those cases where the evaluation of land is required by statute, the agencies have administrative guidelines relating to the techniques to be employed.

The impression that the administration of the Federal revenue sharing and payment in lieu of tax statutes is primarily an accounting matter is reinforced by the fact that contracts with the various Federal agencies charged with administering these statutes almost invariably leads to a referral to the budget and finance departments of such agencies.

The absence of rules and regulations directly pertaining to the Federal revenue sharing and payment in lieu of tax laws does not necessarily mean that the government departments and agencies charged with their administration are lax in their procedures. Rather, it reflects the wide latitude granted to them, in fact, and in law by the Congress.[33] In implementing such statutes it is probably not too much to say that Congressional supervision of the day-to-day operation of these laws is virtually nonexistent. As a practical matter it is probably impossible for the Congress to monitor the details of the actual working of such laws and accordingly, considerable delegation of authority and administrative discretion may be all but inevitable. In all cases, however, it appears that internal audits are conducted as to the accuracy of the calculations involved. In cases where figures or tax bills are furnished by local government officials, e.g., in the case of the payments made to Trinity County (Digest LY), or by the St. Lawrence Seaway Developement Corporation (Digest LX), and the General Services Administration (Digest LZ), the Federal entity making or authorizing payment checks the accuracy of the local tax bill submitted. In addition, most of the agencies report that they are periodically audited by the General Accounting Office on their payment procedures.

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[33] 30 U.S.C. § 189 (1964) (authority granted to the Secretary of the Interior); and 16 U.S.C. §§ 472, 551 (1964) (authority granted to the Secretary of Agriculture).

3. Requirements for Payment

As is already evident the revenue sharing and payment in lieu of tax statutes exhibit a number of differing characteristics. Not the least of these is the circumstance that, with respect to the revenue sharing statutes, the sharing of revenues is mandatory provided, of course, there are revenues to be shared. On the other hand, a number of the payment in lieu of tax statutes provide that the payments are to be discretionary only. This is the case, for example, with the AEC legislation (Digest LP); and the St Lawrence Seaway legislation (Digest LX). Similarly, under the Columbia River Basin legislation (Digest LL), the Secretary of the Interior may, but is not required to, enter into agreements with local units of government to make payments in lieu of taxes. The Secretary has in fact entered into four such agreements and it is also true that in every case where the in lieu of tax payments are discretionary, some type of payment is, in fact, being made.

E. Recipients of Payments and Restrictions on Their Use

1. Recipients

The revenue sharing and payment in lieu of tax statutes also exhibit differences as to the recipient units of government which receive shared revenues or in lieu tax payments. Thus, the largest number of statutes (including the statutes relating to the admission of new States into the Union), provide that payments are to be made directly to the State.[34] In some cases payments made to the States are required to be used for the benefit of the county in which the land with respect to which the payments are made is located.[35] Under many of the statutes, however, the payments are made directly to local governments[36] and some statutes provide for payments to be made to both States and local governments although payments are in fact made only to local government.[37] Under TVA legislation (Digest LI) payments are provided and are in fact being made to both States and local units of government, while under the educational impact grant legislation (Public Law 874) payments are made to school districts (Digest LV).

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[34] The Arizona and New Mexico legislation (Digest LC), the Mineral Leasing Act of 1920 (Digest LF), the Federal Power Act (Digest LG), and the Boulder Canyon legislation (Digest LH) are examples of statutes under which payments are made directly to the States, but which do not require that the payments be distributed to or be used for the benefit of local units of government.

[35] The National Forest Revenues Act (Digest LB), the Taylor Grazing Act (Digest LK), the Boundary Waters Canoe Area legislation (Digest LH); the Army Corps of Engineers legislation (Digest LN) and the Grand Teton National Park legislation (Digest LU) are examples of statutes which provide that the payments are to be made to the States for further distribution to the appropriate counties.

2. Timing of Payments

Most of the statutes, particularly the revenue sharing statutes, provide that payments are to be made at the close of the Federal fiscal year or as soon as practicable thereafter.[38] In some cases where the statute is silent as to the timing of payments, they are in fact made at the close of the fiscal year or as soon thereafter as practicable. Thus, payments to the States of the five percent of the net proceeds realized from the sale of public lands in the States are made as soon as practicable after the close of the fiscal year even though the various statutes providing for such payments do not specify a particular payment date (Digest LA).

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[36] This is the case, for example, with the O&C legislation (Digest LD), the CBWR legislation (Digest LE), the Bankhead Jones Farm Tenant Act (Digest LM), the Trinity River legislation (Digest LY), the Migratory Bird Conservation Act (Digest LAB), and the Klamath Wildlife Refuge legislation (Digest LAC).

[37] This is the situation, for example, with respect to the St Lawrence Seaway legislation (Digest LX), the Columbia River Basin legislation (Digest LL), the RFC legislation (Digest LZ), and the AEC legislation (Digest LP).

[38] The National Forest Revenues Act (Digest LB); the Arizona and New Mexico legislation (Digest LC), the O&C and CBWR legislation (Digests LD and LE), the Federal Power Act (Digest LG), the Taylor Grazing Act (Digest LK), the Army Corps of Engineers legislation (Digest LN), the Boundary Waters Canoe Area legislation (Digest LS), the Grand Teton National Park legislation (Digest LU), and the Migratory Bird Conservation legislation (Digest LAB) all provide that payments be made at the close of the Federal fiscal year or as soon as practicable thereafter. In all these cases, with slight variations, the agencies engaged in administering these statutes report that the payments are made at the times statutorily specified. The purpose of the provisions permitting payments to be made as soon as practicable after the close of the Federal fiscal year is to allow time for the calculation of the payments.

Some statutes specifically provide for different payment dates. Thus, under the Mineral Leasing Act of 1920 (Digest LF), payments are made biannually as soon as practicable after June 30th and December 31st of each year. Again, under the TVA legislation (Digest LI), the payments are made monthly. The reason for both of these differing payment schedules is that the recipient units of government wanted to receive the payments more rapidly.

A different payment schedule is also provided under the Bankhead Jones Farm Tenant Act (Digest LM) where it is specified that payments to counties are to be made at the end of the calendar year.

A number of the statutes, usually the payment in lieu of tax statutes, provide that payments are to be made "annually" or at the local tax due dates. For example, the Trinity River legislation (Digest LY) and the Columbia River Basin Project legislation (Digest LL), provide for annual in lieu of tax payments, but they are in fact made on the local tax due dates. Similarly, the St. Lawrence Seaway legislation (Digest LP) provides for no payment date, but payments are made on the local tax due dates. On the other hand, the RFC legislation (Digest LI) specifically provides that payments are to be made to local taxing authorities on their local tax due dates.

In a few cases the timing of the payments under one statute is controlled by the provision of another statute. Thus, payments made under the 1947 Mineral Leasing Act for acquired lands (Digest LR), are made in accordance with the revenue sharing statute generally applicable to the acquired lands subject to lease. The same situation arises with respect to the legislation providing for the sharing of revenues realized from the sale of materials on public lands (Digest LQ). If the materials are located on lands subject to the jurisdiction of the Department of the Interior, payments are made at the end of the fiscal year. If the materials are located on lands subject to the jurisdiction of the Department of Agriculture, payments are made in accordance with the general revenue sharing statute applying to such lands. In most cases this would mean at the end of the fiscal year.

3. Restrictions on Use of Payments

Almost without exception the revenue sharing statutes impose restrictions on the uses to which the payments received may be put. The almost universal requirement is that shared revenues be used for the purposes of public schools and/or public roads.[39/]

On the other hand, with one exception (the CBWR legislation [Digest LE]), the payment in lieu of tax statutes contain no restrictions as to the use to which payments must be put.

Explicit Congressional statements as to why the particular restrictions were imposed are almost wholly lacking. The pattern of the restrictions was set in the early statutes providing for the admission of new States into the Union and it seems logical to suppose that the purpose of these restrictions was the fostering of public education and a national transportation system at the time when the United States was deficient in both.

Evidence of the Congressional concern for public schools and roads may be seen in the various Enabling Acts admitting the States into the Union which provide for the setting aside of one or more sections of public land in each township for the support of common schools. The Enabling Acts also usually required that the shared proceeds realized from the sale of public lands should be used for road or canal building.

Further evidence of Congressional interest in road building may be seen in the various grants given to the States in the 19th centruy for wagon roads and railroads. In addition, Congress made significant grants of land directly to the railroads to encourage the construction of railroads. Finally, the Congress granted large amounts of land to the States for various other educational purposes. An example of this type of grant was the Morrill Act of 1862[39a/] which granted land to the various States to provide colleges for the benefit of agricultural and mechanical arts (the so-called "land-grant colleges").[40/]

[39/] This is the case with respect to the statutes providing for a sharing of revenues realized from the sale of public lands (Digest LA), the National Forest Revenues Act (Digest LB), the Arizona and New Mexico legislation (Digest LC), the Mineral Leasing Act of 1920 (Digest LF), the CBWR legislation (Digest LE), the Bankhead Jones Farm Tenant Act (Digest LM), the Army Corps of Engineers legislation (Digest LN), the Migratory Bird Conservation Act (Digest LAB) and the Klamath Wildlife Refuge Act (Digest LAC).

[39a/] Stat. (1862).

[40/] For the amounts of land granted to the States and/or railroads for educational and road building purposes see Public Land Statistics 1966, pp. 7-9. For a discussion of Congressional policies relating to the various grants to the States and/or railroads for educational and/or road

The revenue sharing statutes, which began to be enacted in the early part of the twentieth century, appear to represent an extension of the historical Congressional concern for education and road building and the debates concerning the 1908 National Forests Revenues Act lend support to this supposition as the following excerpt from the Congressional Record indicates:

> "The National Government has long been committed to the policy of appropriating the public domain to the people for homes. In this way the West has been settled; the lands have been added to the taxable values of the States and produced the funds by which roads and schools have been maintained. If the public domain is to be reserved in forests that produce a revenue, the net proceeds should go to the States for the maintenance for agricultural schools for the people..."41/
>
> "Now take half of a State and throw it into a forest reserve; it is so much not subject to taxation. Hence this proposition of paying the State some portion of the income, so that the Government may pay a part toward the education of the youth of the State and the care and support of the State Government."42/

These excerpts also indicate, inferentially at least, Congressional awareness that the largest categories of expenditures in State and local budgets are for education and road building.43/ In connection with these restrictions, however, it should be noted that the various Federal agencies charged with the administration of the several revenue sharing statutes report that they make no attempt to find out what uses are actually made of the shared revenues remitted to the States and/or counties except, in certain instances, to obtain the certificates which are being required under the Civil Rights Act of 1964,44/ that the provisions of that Act are not being violated. Pursuant to these sections the Departments of Agriculture and Interior have issued regulations requiring assurance from the States that, with

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40/ con't. building purposes, see Hibbard, Benjamin H., A History of the Public Land Policies, University of Wisconsin Press, Madison 1965 (copyright 1924) pp. 241-49, 305-43.

41/ 42 Cong. Rec. 3833-35 (1908) (remarks of Representative Reid).

42/ *Id*. at 6058 (remarks of Senator Warren).

43/ For a discussion of State and local government expenditures on schools and roads and the effect of the restrictions on local government finances see Part 2, Chapter II of this report.

44/ 42 U.S.C. §§ 2000d, d-1 (1964).

respect to Federally financially assisted programs, the provisions of the Act are being complied with[45].

Since payment in lieu of taxes are seldom, if ever, "earmarked", i.e., they do not and cannot be said to relate to specific Federally financed programs, there appears to be no "civil rights" audit of these statutes. In fact, according to reports received from both the Bureau of the Budget and the General Accounting Office, neither of these agencies audits or ever has audited the various payment in lieu of tax and revenue sharing statutes to determine whether "earmarked" funds are actually used by local communities for the purposes specified in the statute.[46] Once payment has been made by an agency, no further check is made on the use of the funds at the Federal level.

The circumstance that more recently enacted legislation, usually payment in lieu of tax statutes, generally does not contain restrictions on the use to which payments are to be put, may indicate a trend on the part of Congress to do away with such restrictions, altogether.

F. Source and Calculation of Payments

1. Revenue Sharing Statutes

a. Flat Percentages

The payment formulas under the revenue sharing statutes are stated in terms of flat percentages of the revenues produced by the lands to which the particular statutes relate. The percentages vary from five percent to ninety percent, but the usual percentage is twenty-five. This is the figure contained in the earliest enacted revenue sharing statute, the National Forests Revenue Act of 1908 (Digest LB), and for the most part Congress has seen fit to continue this percentage in later enacted statutes. Where different percentages have been adopted, they may, nevertheless, be traced to the 1908 formula. Thus, the thirty-seven and a half percent figure contained in the Mineral Leasing Act of 1920 (Digest LF) was a compromise figure, part of which was based on the National Forests formula. Similarly, the seventy-five percent formula contained in Corps of Engineers legislation (Digest LN) was originally twenty-five percent and was subsequently changed to seventy-five percent because the amount of revenues shared under the original formula was found to be too small.

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[45] See 7 C.F.R. § 15.4 (1967) (Agriculture); and 43 C.F R. § 17.4 (1967) (Interior).

[46] Letter to EBS Management Consultants, Inc. dated 8/9/67 signed by A.T. Samuelson, Director, Civil Division, GAO EBSMC PLLRC File #200-1. Telephone interview with Mr. Harry C. McKittrick, Asst., Div. Director, Natural Resources Budget Division, Bureau of the Budget, 11/3/67.

b. Source of Revenues

The source of revenues from Federal lands a percentage of which is shared with States or local governments under the various statutes is basically related to the economic activities carried on on such lands. Some of the statutes provide that only one type or source of revenue is to be shared while others provide for a sharing of all revenues. A single source revenue sharing statute is the Taylor Grazing Act of 1934 (Digest LK) which provides that only the receipts from grazing fees are to be shared with the States (for distribution to counties). Similarly, the statutes (Digest LA) providing for a sharing of five percent of the net proceeds realized from the sale of public lands, are single source revenue sharing statutes. The Mineral Leasing Act of 1920 (Digest LF) is also a single source revenue sharing statute providing for a sharing with the States of thirty-seven and a half percent of the rents, royalties and bonuses received from the leasing of rights to certain minerals on Federal lands. As indicated previously, however, this statute applies to a wide variety of Federal lands to which, with respect to different sources of revenue, other revenue sharing statutes may also be applicable.

The Corps of Engineers legislation (Digest LN) is also a single source revenue sharing statute in that it provides for a sharing of only those revenues realized from the leasing on lands acquired for flood control purposes. Basically, the O&C legislation (Digest LD) is a single source revenue sharing statute in that almost all the revenues derived from the O&C lands, are derived from the sale of timber. Finally, the Federal Power Act (Digest LG) is also a single source revenue sharing statute which provides for a sharing with the States of a percentage of the fees received from license fees collected from power sites on Federal lands.

The best example of a multi-source revenue sharing statute is the National Forest Revenues Act of 1908 (Digest LB). Under this statute twenty-five percent of "all monies" received from National Forests is shared with the States, for further distribution to counties. While the principal source of revenues from the National Forests is from the sale of timber and other forest products, there are numerous other sources, including grazing fees, power license fees, and fees for special use permits. With respect to National Forests, on acquired lands revenues include rents and royalties collected on leased acquired lands. Rents and royalties collected on public domain lands in National Forests are not, however, included in the revenues distributed under this legislation, they being distributed to the states under the Mineral Leasing Act of 1920 (Digest LF).

c. Obligation to Provide Revenues

More important perhaps than the source of revenues is the circumstance that, with one exception, none of the revenue sharing statutes require that revenues in fact be provided. In other words, revenues are shared only if such are produced. The one exception is the Boulder Canyon legislation (Digest LH) which requires that enough revenues be generated from the sale of power in order to make the $300,000 annual payments to Arizona and Nevada.

d. Revenue Base for Sharing

The principal revenue sharing statutes provide for a sharing of gross revenues with the States and/or local governments without any deduction for management or other administrative expenses.47/ In the Bankhead Jones Farm Tenant Act (Digest LM) the term "net" revenues is used but this term has been construed by the Comptroller General to mean gross receipts and in practice this is what is shared under this statute. The term "net" is also used in the statutes (Digest LA) providing that five percent of the proceeds realized from the sale of public lands be shared with the States in which the lands sold are located. In this case BLM deducts a flat twenty percent from the proceeds received to arrive at the "net" figure. Only the revenue sharing provisions of the Federal Power Act (Digest LG) and the Migratory Bird Conservation Act (Digest LAB) provide that administrative and/or management costs or charges relating to the production of revenue on lands to which these statutes relate shall be deducted from or not included in the revenues collected for sharing with the States or counties.

While gross receipts are used for the purpose of calculating the amount of revenues to be shared, there are a number of administrative practices which affect the amount of receipts taken in. This is particularly true of the receipts taken in by the Forest Service in connection with timber sales made from National Forests. The Forest Service requires purchasers of National Forest timber to incur numerous expenses for such items as road building and slash removal as a condition of purchase (See Digest LB). These costs are included in the calculations of the minimum sale price which will be accepted by the Forest Service. The imposition of these conditions of purchase also affects the price which purchasers of National Forest timber are willing to pay for such timber. The net effect is a reduction in the amount of money received for timber on which the revenue sharing formula is based. The explanation of this practice lies in the circumstance that the Forest Service does not have the money or the personnel to build all the necessary timber access roads and in its conservation practices in general. In effect, payment for timber is in part made through the rendition of services rather than through money payments. Similar practices are also followed by the Bureau of Land Management in its timber sales (See Digest LD).

47/ This is the case, for example, with the National Forest Revenue Act of 1908 (Digest LB), the Mineral Leasing Act of 1920 (Digest LF), and the Taylor Grazing Act of 1934 (Digest LK).

Conditions of use are also imposed with respect to other economic activities carried on by private persons on Federal lands. Thus, lessees of mineral interests and holders of grazing permits are subject to certain conditions of use such as the number and location of animals, and safety regulations on mining operations. These conditions, however, in contrast to the conditions imposed with respect to timber sales, do not affect the rate of the fees or royalties collected.

The Forest Service also receives certain deposits of money from purchasers of National Forest timber for reseeding and replanting purposes. These payments are collected under the authority of the Knutson-Vandenberg Act[48] and are not included by the Forest Service as "receipts" for the purposes of determining the amounts of revenues to be shared with the States. Such amounts are held in a special fund but any amounts in excess of the actual cost of reseeding and replanting are made available for distribution to the States.

2. Payments in Lieu of Taxes

a. Efforts to Approximate Actual Tax Losses

The payment in lieu of tax statutes represent an explicit attempt to approximate the actual tax losses realized by the States and local governments caused by the acquisition of land by the Federal government and, as a result, removed from State and/or local tax rolls. While these statutes have a common objective they provide for a number of varying techniques to accomplish the objective.

b. Techniques

One feature of many of the payment in lieu of tax statutes is a provision which limits the amount of the in lieu of tax payment to an amount equal to the current local property tax rate applied to the assessed valuation of the property immediately prior to its acquisition by the Federal government. The Trinity River legislation is an example of this type of provision (Digest LY). A variation of this approach is a provision which states that payments shall not be "in excess of the taxes which would have been payable for such property in the condition in which it was acquired." The AEC and the St. Lawrence Seaway legislation (Digests LP and LX) are examples of this type of provision. A further variation of this approach may be seen in the TVA legislation (Digest LI) which provides that any in lieu of tax payments made to each State shall not be less than $10,000 or the two-year average of the State and local taxes assessed on the land immediately prior to its acquisition by the TVA. Payments to counties under this legislation are also based on the two-year average of county taxes assessed on the land immediately prior to its acquisition by the TVA.

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[48] 16 U.S.C. § 576b (1964).

The Trinity River legislation is unequivocal in that it provides that the assessed valuation of land acquired is fixed as of the date of acquisition. The Grand Teton National Park legislation (Digest LU) is similar in that it provides that the taxes last assessed against lands acquired for the Park are the basis for the in lieu of tax payments. This legislation is unique, however, in that it provides for declining payments over a twenty-year period. As a matter of practice the date of acquisition is the date used for valuation purposes by the AEC and the St. Lawrence Seaway Development Corporation although it is less clear that this date is required by these statutes. Under the TVA legislation the payments are governed by the two-year average provision.

Under this approach local units of government may raise the rate of taxation on Federal property but they may not revalue Federal property by taking into account any improvements made thereon by the Federal government[49] and, possibly, any general rise in price levels. As a practical matter it appears that, under these statutes, the in lieu of tax payments are partially tied to a fixed point in time, specifically the time when the lands were acquired by the Federal government.

This is in contrast with the statutes described immediately below which are ambulatory in nature in that they specifically provide for periodic reassessment of the Federal lands to which they relate, and thus come very close to being tax equivalency provisions. Examples of such provisions are found in the CBWR legislation (Digest LE), the BWCA legislation (Digest LS), and the 1964 amendments to the Migratory Bird Conservation Act (Digest LAB).

In the case of the CBWR legislation, it is provided that tax equivalency payments shall be made to the two counties in which the Coos Bay lands are situated from seventy-five percent of the revenues produced by such lands. The payments are determined by applying the local tax rate to the value of the lands as appraised by a committee of three, not less than every ten years.

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[49] A suit is currently pending in the United States Court of Claims involving the payment in lieu of tax made with respect to property formerly owned by the RFC. GSA reduced the valuation of certain property because of its changed status and the local taxing authorities refused to accept the reduced valuation. This is an unusual case where the value of Federal property is being lowered rather than raised. Under the RFC statute Federal property values could be revalued. In this case it is the Federal authorities rather than local authorities which initiated the revaluation. (Digest LZ)

The BWCA legislation also provides that the lands covered by this legislation shall be revalued every ten years by the Secretary of Agriculture. Against this periodically redetermined value is applied a statutorily prescribed rate of three quarters of one percent.

Finally, the 1964 amendments to the Migratory Bird Conservation Act provide that, with respect to lands acquired for wildlife refuges, the current value of such lands is to be readjusted every five years by the Secretary of the Interior, using the index numbers contained in the Department of Agriculture's annual tables of average farm values. The initial value of acquired lands is either their cost, the amount of any condemnation award, or the appraised value of such land if the land is acquired through gift or donation. Against the periodically adjusted value is applied a statutorily prescribed rate of three quarters of one percent.

While these three statutes embody the procedure of periodic revaluation, the timing, the method of assessment, and the personnel employed in making the reassessment are different with respect to each statute. Thus, in the BWCA and Migratory Bird legislation the revaluation is performed solely by officials of the Federal government, while a representative of the local units of government assists in the annual valuation of the CBWR lands.[50] In the case of acquired Migratory Bird lands, the Secretary of Interior employs the tables of average farm values published by the Agriculture Department while the Secretary of Agriculture takes into consideration certain factors such as soil and young growth, marketable timber, improvement value and recreation uses in making his determination with respect to the BWCA lands. In addition, none of the restrictions on use applicable to the BWCA lands are considered in making the determination which has the effect of raising the amount of the in lieu of tax payment to the counties involved, i.e. the lands are valued as if they were in private ownership and accessible by road.[51] Finally, although local values of comparably owned private real estate form the basis of revaluation in all three cases, the tax rates applied to these values differ since fixed rates are used with respect to the BWCA lands and Migratory Bird Conservation lands, but not in connection with the CBWR lands. The various methods of assessment may be summarized as follows:

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[50] For a detailed discussion of the assessment practices employed with respect to the CBWR lands see letter with enclosures to EDSMC dated 12/13/67 signed by William E. Sankela, Member CBWR Lands Appraisal Committee. EBSMC PLLRC. File No. 227.

[51] The assesment practices of the Forest Service with respect to the BWCA lands are more fully set out in Digest LS.

Legislation	Timing	Personnel	Rate	Guidelines
Coos Bay	not less than every 10 years.	3-man committee a) Interior b) County c) Non-aligned 3rd party.	local rate	local values
BWCA	Every 10 years	Forest Service	3/4 of 1%	local values (1) soil to young growth (2) marketable timber (3) improvements (4) recreation uses (5) restrictions on use not considered
Migratory Bird	Every 5 years	Department of Interior	3/4 of 1%	Initial values based on cost or condemation award amounts. Thereafter revaluation or adjustments are made on the basis of the index numbers contained in the Dept. of Agriculture statistics of average farm values.

c. "Special Burdens" Test

Two of the payment in lieu of tax statutes, the St. Lawrence Seaway and AEC legislation (Digests LX and LP) provide that, in addition to the "regular" payment in lieu of tax payments which may be made under these statutes, additional discretionary payments may also be made. These additional payments are permitted where "special burdens" are placed on the State or local unit of government by reason of the activities of the AEC or the Seaway Development Corporation. In neither case have such additional payments been made and no attempt either statutorily or otherwise has ever been made to define the term "special burdens." Thus, representatives of the AEC have indicated that, while there have been requests for such payments by local units of government, none has ever been approved. In evaluating such requests, however, the AEC considers any benefits accruing to the State or local communities by reason of AEC activities. The term "benefits", however, is not defined by the AEC in any regulations or manuals. No requests have been made to the Seaway Development Corporation.

In a sort of "reverse twist", tax equivalent payments are not made under the RFC legislation (Digest LZ) unless the removal of property formerly owned by the RFC from local tax rolls imposes a burden on the local community or otherwise disrupts its operations. Thus, where RFC property was never on the local tax rolls and no services were being provided to the property by the local government the Comptroller General ruled that no tax-equivalent payments should be made.52/ A type of "special burdens" test is also contained in Public Law 874 (Digest LV) which provides for "impact" payments to local school districts where the acquisition of land since 1938 by the Federal government places "a substantial and continuing financial burden" on the local educational agency. The land acquired by the Federal government must equal or exceed ten percent of the assessed value of all real property in the district for the provision to be effective. Payments may not exceed the amount which, in the judgment of the Commissioner of Education, the local educational agency would have derived and would have had available for current expenditures from the property acquired by the United States. The term "continuing financial burden" is not defined in published regulations, but the Office of Education, in addition to requiring a narrative statement to support the substantial and continuing burden claim, also obtains information relating to the average daily attendance of pupils, and the local tax rate for current educational expenditures (the tax yield per pupil from the local school districts).[illegible]/

d. Source of Payments

Even though the payment in lieu of tax statutes are different in form and concept from the revenue sharing statutes, most of these statutes require that any payments made to State and/or local governments be out of the revenues generated by the lands or projects to which the statutes relate.54/ With respect to the CBWR lands, the

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52/ 36 Comp. Gen. 592 (1957).

53/ Letter to EBSMC dated 2/12/68 signed by David H. McEven, Chief, Maintenance and Operation School Assistance, Office of Education. EBSMC PLLRC File No. 214.

54/ This is the case, for example, with the CBWR legislation (Digest LE), the TVA legislation (Digest LI), the Columbia River Basin legislation (Digest LL), the BWCA legislation (Digest LS) and the Trinity River legislation (Digest LY).

revenues out of which the in lieu payments are made are largely derived from timber sales. Similarly, the payments made with respect to the BWCA lands in Superior National Forest are largely derived from sales of timber and related forest products, these items comprising the largest single source of National Forest revenues from which these payments are made. In the case of the TVA and Trinity River legislation, revenues are derived from power sales. Under the Columbia River Basin legislation revenues are derived from the leasing of lands acquired for the project. These statutes evidence a Congressional policy of not, in general, permitting in lieu of tax payments to be a charge against the general revenues of the Federal government. Payments under both the revenue sharing and payment in lieu of tax statutes are more commonly tied to the lands to which the payments relate and to their productive capacity.

Nevertheless, a number of the payment in lieu of tax statutes contain no provision requiring that any payments that are made be out of revenues produced by or in connection with the lands covered in the statute. This is the case with the St. Lawrence Seaway (Digest LX); the AEC (Digest LP); the RFC (Digest LZ) and the Migratory Bird legislation (Digest LAB), as applicable to acquired lands.

III. Summary

Revenue sharing and payment in lieu of taxes represent the two basic methods which the Federal government has adopted for providing financial compensation to State and local governments for the loss of tax revenues occasioned by the presence of tax-free Federal lands within their borders. These two approaches not only are different from each other, but the individual statutes within each category also exhibit numerous differences. Thus, not only do the formulas for making payments differ, but such other items as (1) the lands to which the payments relate, (2) the recipients of the payments, (3) the timing of the payments, and (4) the restrictions of the use to which the payments may be put also exhibit wide variations. As such, it is virtually impossible to give a detailed summary of these laws. A few general statements may be made about each category of the statutes, however. Thus, with respect to the revenue sharing statutes it may be said that:

1. They relate to Federal lands which have either been withdrawn from unrestricted entry or the use of which has been regulated by the Federal Government.

2. In contrast to the payment in lieu of tax statutes, they usually relate to large areas of particular types of Federal land, including acquired land, situated in various parts of the United States and are administered directly by the Departments of Agriculture or of the Interior.

3. They provide that a fixed percentage of the revenues realized from the lands to which they apply be shared with the States for further distribution to the counties to be used specifically for schools and roads.

With respect to the payment in lieu of tax statutes, it may be generally stated that:

1. They represent an attempt to relate compensatory payments to the actual loss of local tax revenues. this is particularly true of those statutes which provide for tax equivalency payments and those which provide for periodic reassessment of the lands to which they relate.

2. They provide that payments are to be made directly to the local communities rather than through the States.

3. There usually are no restrictions on the uses to which payments in lieu of taxes may be put.

Taken together it may be fairly said that the two categories of statutes represent a piecemeal approach to a single problem and that as such no general or cohesive statutory system exists for providing compensation to States and local governments because of Federal tax exempt land ownership.

IV. Problem Areas, Other Matters for Consideration

The major characteristic of the current "system" is its general lack of uniformity. Uniformity is rendered impossible not only by the statutes themselves, but by the circumstance that they are administered by so many different Federal agencies. Other points which the Commission might wish to consider are as follows:

1. The fact that there is no requirement under the revenue sharing statutes and many of the payment in lieu of tax statutes that revenues be maximized or even produced for sharing with States and local governments. This is a complex question involving Federal land management practices in general, and the requirement that Federal lands be managed, in general, for multiple use purposes.

2. The circumstance that more than one revenue sharing statute may apply to the same lands. This results either in multiple payments being made with respect to the same lands (from different sources of revenues) and/or interagency transfer of funds realized from particular revenues for distribution by the recipient agency. The Mineral Leasing Act of 1920 is an example

of a revenue sharing provision applicable to lands to which other revenue sharing statutes may also be applicable. The Mineral Leasing Act of 1947 relating to acquired lands and the O&C legislation applicable to "controverted lands" are examples of statutes under which interagency transfers of revenues are made for further distribution by the receiving agency to States and/or local governments. In other words, in some cases there is a separation of the agency collecting revenues and the agency making payments.

3. The fact that the different revenue sharing formulas may apply to what are essentially similar lands. The Mineral Leasing Acts of 1920 and 1947 are examples of statutes applying to mineral bearing lands but providing for different revenue sharing formulas.

4. The circumstance that the calculation of revenues from different sources varies. Thus, conditions of purchase with respect to timber materially affect the amount of receipts while other conditions of use imposed on grazing permit holders or mineral leasees do not affect the rate of revenues received.

4. The circumstance that there are no revenue sharing or payment in lieu of tax statutes applicable to large areas of Federal land holdings, viz. the National Park System and the OCS lands.

3. The circumstance that there is no uniform method of appraising Federal lands. Under the CBWR, the BWCA and the Migratory Bird Act statutes it is provided that the Federal lands to which these statutes apply are to be periodically revalued for the purposes of calculating the in lieu of tax payments. Nevertheless, the methods of revaluing the lands differ slightly under each statute.

V. Other Federal Land Related Statutes

There are a number of other Federal statutes which provide financial assistance to States which are related to Federal land holdings within the States. Thus, additional payments are made to the States which are related to Federal land ownership in connection with the Federal highway construction program. These payments are not of the revenue sharing or payment in lieu of tax variety. Rather, under this legislation,[55] payments are made to the States on a sliding scale of the costs for Federal highway construction. The percentage is either fifty or ninety[56] percent of the construction costs plus an additional percentage. The additional percentage is based on the ratio of certain Federal land holdings in the State to the total land area of the State.[57]

Similarly, the States benefit from the Forest Highway Program administered by the Bureau of Public Roads. Under this program[58] funds are appropriated for the building of roads in National Forests, half on the basis of the acreage of National Forests within each State, and half on the value of National Forests within each State. The formula allocation was established in 1955 and, with but slight modifications, there have been no changes in the specific percentage apportionments of the appropriations since that data.

In addition, under the Public Lands Highways Program, States having unappropriated and unreserved public lands may receive funds for highway construction and maintenance. The funds under this program are allocated to the States, when appropriated, "on the basis of need".[58a] Finally, under the educational impact legislation (Public Law 874) grants are made to local school districts where the Federal Government has acquired more than ten percent of the assessed value of the land within such district since 1938.[58b]

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[55] 23 U.S.C. § 120 (1964).

[56] The 90% is applicable to the Interstate Highway System.

[57] There are two limitations: (1) Federal land holdings must exceed 5% of the land area of the State and (2) with respect to the Interstate Systems, the Federal government's share of the construction costs may not exceed 95%. Compare Public Law 874 (Digest LV) providing for payments to local school districts where the Federal government has acquired more than 10% of the assessed value of the land within the district. These are only two statutes which provide a "threshold" of Federal land holdings which must be met before payments are made.

[58] 23 U.S.C. §§ 202, 204 (1964).

[58a] 23 U.S.C. §§ 202, 209 (1964).

[58b] 20 U.S.C. § 237(a)(1964);(Digest LV).

VI. State Statutes: Comparison with Federal Statutes

A. Introduction

Next to the Federal government, the various States are the largest landowners in the United States. The States own collectively some eighty-five million acres of rural land or little more than three and one-half percent of the total land area of the country.[59] The percentages of State owned-land compared to the total land area of the State varies widely from a high of thirty-seven percent in Hawaii to a low of less than one percent in Kansas.[60]

Most State constitutions contain provisions which prohibit the taxation of State-owned property.[61] Consequently, similar financial burdens are placed on local units of government by State ownership of tax-free land as are placed on local and State governments by Federal lands, albeit to a lesser extent. The central concern of this part of the report is a description and analysis of the Federal system providing for financial assistance to State and local governments because of the presence of tax-free Federal property within their jurisdictions. However, for the purposes of comparison and in order to determine whether any State practices in this area might offer feasible alternatives to the present Federal system, a summary review of the relevant laws of the fifty States dealing with this problem was conducted. The results of that survey are detailed in Section 2 of the Appendix I. This section presents a brief summary of its findings.

B. General Description of State Statutes

Thirty-five States are known to have enacted some seventy statutes which provide in one way or another for financial assistance to local units of government because of the presence of tax-free State owned land[62] within those local taxing jurisdictions.

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[59] Tables No. A1 and A1B. Including highway rights-of-way, the States own approximately 100,000,000 acres of land or 4.5% of the land area of the United States. Statistical Abstract of the United States 1967, p. 202. The State acreage is about one-eight of the Federal government's holdings of 766,000,000 acres. Public Land Statistics 1966, p. 1

[60] For a breakdown of State land ownership see Table L-1 following page 53.

[61] See, e.g., IDAHO CODE, CONST. ART. 7, § 4 (1948); ILL. REV. STAT. CONST. ART. 9, § 3 (1965); KAN. STAT. ANN., CONST. ART. 11, § 1 (1963); and MO. REV. STAT., ART. 3, § 43 (1959).

[62] See Figure 1 of Part II, Appendix No. 1 for a complete listing of State legislation known to have been enacted in this area.

While these State statutes exhibit wide variety, the approaches which have been adopted by the States in this area are basically the same three as those adopted by the Federal government with respect to its land holdings, namely:

1. State sharing of revenues realized from State-owned lands with local units of government,
2. payments in lieu of taxes approximating the local taxes payable on similarly situated private property and,
3. permiting local taxation of State-owned property.[62a]

In addition, a number of other general statements concerning the State laws in this area may be made:

1. State land holdings are so much less than those of the Federal government that the impact of State land ownership on local communities must inevitably be less on an overall basis than is the impact of Federal land ownership. This does not mean that these cannot be and are not significant with respect to particular local communities.
2. The very number of State statutes, however, and the number of States enacting such laws indicates an awareness by the various States of the fiscal problems caused to local units of governments by the ownership of tax-free State land.
3. The States often require that a minimum amount of land within the local unit of government be State-owned before a sharing of revenues or in lieu of tax payments are authorized. The Federal statutes providing for land related payments, with but two exceptions,[63] contain no such "threshold" limitations.

[62a] The Federal statutes of this type are those which permit State and local governments to tax the real property of the various Federal monetary agencies. See above note 7a at page 20. The state statutes of this type are of somewhat broader application.

[63] Public Law 874, 20 U.S.C. § 237 (1964) (Digest LV) provides for payment in lieu of taxes to local school districts where 10% or more of the assessed value of the land in the district is Federally owned. The National Highway Act also has a "threshold" limitation in that more than 5% of a State's land area must be Federally owned before "incremental" Federal highway construction cost grants may be made. 23 U.S.C. § 120 (1964).

Table L - 1

STATE-OWNED LAND BY STATE, 1966

State	Total Public & Private Land Acres	State-Owned Rural Land Acres	State-Owned Rural Land % of Total Land in State
Alabama	32,678,400	285,939	0.88
Alaska	365,481,600	6,809,238	1.86
Arizona	72,688,000	9,211,909	12.67
Arkansas	33,599,360	233,287	0.69
California	100,206,720	1,647,966	1.64
Colorado	66,485,760	3,263,913	4.91
Connecticut	3,135,360	162,138	5.17
Delaware	1,265,920	22,456	1.77
Florida	34,721,280	564,389	1.63
Georgia	37,295,360	154,546	0.41
Hawaii	4,105,600	1,524,722	37.14
Idaho	52,933,120	2,758,744	5.21
Illinois	35,795,200	112,057	0.31
Indiana	23,158,400	211,327	0.91
Iowa	35,860,480	154,992	0.43
Kansas	52,510,720	63,576	0.12
Kentucky	25,512,320	161,579	0.63
Louisiana	28,876,840	319,725	1.11
Maine	19,847,680	262,115	1.32
Maryland	6,319,360	202,858	3.21
Massachusetts	5,034,880	264,873	5.26
Michigan	36,492,160	4,306,728	11.80
Minnesota	51,205,760	5,121,317	10.00
Mississippi	30,222,720	107,067	0.35
Missouri	44,248,320	342,196	0.77
Montana	93,271,040	5,310,227	5.69
Nebraska	49,031,680	1,686,718	3.44
Nevada	70,264,320	53,920	0.08
New Hampshire	5,768,960	83,792	1.45
New Jersey	4,813,440	228,859	4.76
New Mexico	77,766,400	10,945,418	14.08
New York	30,680,960	3,226,595	10.52
North Carolina	31,402,880	258,251	0.82
North Dakota	44,452,480	959,616	2.16
Ohio	26,222,080	331,796	1.26
Oklahoma	44,087,680	1,025,289	2.33
Oregon	61,598,720	1,621,605	2.63
Pennsylvania	28,804,480	3,041,994	10.56
Rhode Island	677,120	37,714	5.57
South Carolina	19,374,080	217,264	1.12
South Dakota	48,881,920	1,681,477	3.44
Tennessee	26,727,680	391,867	1.47
Texas	168,217,600	3,351,153	1.99
Utah	52,696,960	3,378,344	6.41
Vermont	5,936,640	146,662	2.47
Virginia	25,496,320	211,914	0.83
Washington	42,693,760	3,375,908	7.91
West Virginia	15,410,560	223,329	1.45
Wisconsin	35,011,200	830,799	2.37
Wyoming	62,343,040	3,863,941	6.20
Total U. S.	2,271,304,320	84,754,109	3.732

Source: Tables Nos. A1.

4. The States aften authorize in lieu of tax payments to be made with respect to State park lands while, with the exception of Grand Teton National Park, there is no Federal legislation providing for revenue sharing or payments in lieu of taxes with respect to lands comprising the National Park System.

C. Revenue Sharing Laws

At least eighteen States have revenue sharing laws with respect to revenues generated from State lands, mostly forest lands.[64] As is true with the Federal revenue sharing laws, the percentage of revenues shared varies widely, ranging from seventy-five percent in Oregon to ten percent in New Hampshire and Vermont. The State statutes vary widely also in that in some States the percentage is based on net revenues (*e.g.*, Indiana and Montana), while in others it is applied to the gross revenues (*e.g.*, North Carolina and Virginia).

Unlike the Federal revenue sharing laws the States often permit a sharing of revenues from State park lands with local communities. Finally, a few States share revenues from lands other than forest and park lands. For example, in California the rental received by the State on State highway lands is shared with local communities.

D. Payment in Lieu of Tax Statutes

The various State laws providing for payments in lieu of taxes with respect to State owned lands exhibit a number of characteristics not found in the equivalent Federal statutes. A principal difference is that, in some cases, no payments in lieu of taxes are made unless certain "threshold" requirements are met as to the amount of State land which is owned within the local government jurisdiction. For example, Georgia requires that there be twenty thousand acres of State-owned property within a county before any in lieu tax payments are made. In montana, the threshold requirement is in terms of a percentage, *i.e.*, six percent of the land within a county must be State-owned before any in lieu of tax payments are made.

Again, in some States in lieu of tax payments are made only with respect to certain types of land. Thus, in California payments are only made with respect to lands acquired by the State for State forests, while in Florida, in lieu payments are made only with respect to certain State prison farm lands.

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[64] In only one State, Minnesota, does the State's forest holdings constitute a significant part (more than three percent) of the State's land area. In minnesota 9% of the land area of the State is classified as State forest land not grazed. In Hawaii the figure is 20%, but Hawaii has no revenue sharing statutes. In New York where State forest land comprises 9.6% of the State, local communities are permitted to tax such State forest and certain other State lands.

There are also six States which provide for flat sum payments in lieu of taxes, generally made on the basis of stated amounts per acre, *e.g.*, twenty and thirty cents per acre on State forest lands in Pennsylvania and Wisconsin, respectively.

E. Actual Taxation of State Owned Property

Generally speaking, the States, like the Federal government, have not favored direct local taxation of State owned lands. Even where local taxation of State owned land is permited it is often restricted to certain types of property such as residential property of State educational institutions (Wisconsin) or State waterfront property leased to private individuals (Massachusetts). In other cases certain types of land are exempted from the authority of local governments to tax State property. Thus, State owned parks and forest lands are exempted from taxation in New Jersey while in Vermont only these lands are subject to taxation. Finally, in some States there is a requirement that a certain percentage of the land within the local unit of government be State-owned before local taxation of State property is permitted. New Jersey is a case in point. This requirement is similar to that required in many States that a certain amount of property be State owned before in lieu of tax payments may be made.

PART 3

THE LEVEL AND AGGREGATE EFFECT OF REVENUE SHARING AND PAYMENTS IN LIEU OF TAXES ON PUBLIC LANDS

FIGURE 1-1
FEDERAL REVENUE SHARING AND PAYMENTS IN LIEU OF TAXES STATUTES

FIGURE L-1

FEDERAL REVENUE SHARING AND PAYMENTS IN LIEU OF TAXES STATUTES

Statute	Date Enacted	Type and Acreage of Land or Program Affected by Statute*	Type of Statute (RS or PILT (%))	Deductions Made Before Computation of Payments	Political Subdivision Receiving Payments	Date of Payments According to Statute	Restrictions Placed on the Use of Paymen
Statutes providing for admission of new States into Union. (Digest LA)	1802-1958	Public domain land (241,775)	5% of net proceeds from sale of public lands shared with States in which land located	20% of price received deducted for administrative costs	States	None given (end of fiscal year)	Generally for public schoo and roads
35 Stat. 251; 16 U.S.C. § 500 National Forest Revenues Act (Digest LB)	1908	National Forest lands (both public domain and acquired) (131,139,900)	RS - 25% of all monies realized from National Forests	None[1]	States for distribution to the counties	End of fiscal year	Benefit of sc and roads of within which is located
36 Stat. 557; Arizona and New Mexico Enabling Act (Digest LC)	1910	Designated school section lands located in National Forests in Arizona and New Mexico	RS - calculated % of National Forest revenue is placed in school fund	None[1]	Arizona and New Mexico	End of fiscal year	Proceeds go i common school of Arizona an Mexico
39 Stat. 219; 43 U.S.C. §§ 1181f-1181j Revested Oregon and California RR Grant Lands (Digest LD)	1916[2]	Revested Oregon and California Railroad Grant Lands (2,563,720)	RS 50% - Counties 25% - access roads and improvements 25% - administration	Cost of access roads up to the first 25% received by the county	The 18 counties in which the O&C lands are located	End of fiscal year	25% is used f cess roads an provements; r is returned t counties
40 Stat. 1179, Reconveyed Coos Bay Wagon Road Grant Lands (Digest LE)	1919[3]	Reconveyed Coos Bay Wagon Road Grant Lands (74,500)	PILT - Current taxes are paid out of first 75% of receipts[4]	Cost of appraisal	The 2 counties in which the Coos bay lands are located	End of fiscal year	Must be used schools, road highways, bri and port dist
41 Stat. 437, 30 U.S.C. § 191 Mineral Leasing Act (Digest LF)	1920	Public domain land including National Forests but excluding National Parks (62.184.000)	52-1/2% Reclamation Fund 37-1/2% States 10% U.S. Treasury Alaska - 90% to State 10% to Treasury for expenses of administration	None	States	Biannually, after Dec. 31 and June 30	Construction maintenance o schools. Sup schools as di by legislatur restrictions apply to 52-1 Alaska's 90%
41 Stat. 1063, 16 U.S.C. § 810 Federal Power Act (Digest LG)	1920	Public lands used for power purposes (70,600)	RS 37-1/2% States 50% Reclamation Fund 12-1/2% - U.S.	Administrative costs, designated in individual leases	States	End of fiscal year	None
45 Stat. 1057, 43 U.S.C. § 617 Boulder Canyon Project (Digest LH)	1928	Boulder Canyon Project (811,500)	PILT - Arizona and Nevada each receive $300,000 annually	Any payments made for taxes on the project, the electrical energy, or the privilege of operating are deducted before PILT is paid	Arizona and Nevada each receive $300,000 annually	On or before July 31st until 1987	None
48 Stat. 66, 16 U.S.C. § 831 Tennessee Valley Authority (Digest LI)	1933	Land acquired by TVA (727,100)	PILT - 5% of gross revenues - not less than $10,000 to each State, or the two year average of State & local taxes last assessed prior to acquisition by TVA. Payments to counties equal two-year average of taxes assessed before acquisition by TVA & deducted before making payments to States	Payments to counties are deducted before payments to States are made. Proceeds from sale of power to corp. or agency of U.S. not included in gross receipts.	States and counties	Monthly	None

*Acreage figures are those supplied by appropriate Federal agencies for 1966 and used in the resource data bank of this study. Acreages are shown in parentheses. It should be remembered that with respect to revenue sharing statutes, the number of acres subject to a particular statute is not determinative of the amount of revenue shared. Rather, it is the amount of revenues produced which determines the shared amounts. In the case of payment in lieu of tax statutes, the amount of the payment is more closely related to the amount of the acreage involved.

1. K-V charges are a separate account and, as such, are not considered in the determination of gross revenues. 16 U.S.C. § 576(b) (1964).

2. Date of original enactment. Present provisions enacted in 1937, 50 Stat. 874.

3. Date of original enactment. Present provisions enacted in 1939, 53 Stat. 753.

4. 25% is used for adminis U. S. Treasury.

5. 87-1/2% of remainder i

6. In 1948, agreements we payments to each of on the land had it r leasing of such land

7. The remaining 10% is r administering the ou

8. Date of amendment, ori

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FIGURE 1-1
RING AND PAYMENTS IN LIEU OF TAXES STATUTES

FIGURE I-1

FEDERAL REVENUE SHARING AND PAYMENTS IN LIEU OF TAXES STATUTES

*	Type of Statute (RS or PILT (%))	Deductions Made Before Computation of Payments	Political Subdivision Receiving Payments	Date of Payments According to Statute	Restrictions Placed on the Use of Payments	Administering Agency	Price/Value At Which Share Is Calculated	Method of Assessment of Land for PILT
d	5% of net proceeds from sale of public lands shared with States in which land located	20% of price received deducted for administrative costs	States	None given (end of fiscal year)	Generally for public schools and roads	Dept. of the Interior (Bureau of Reclamation, BLM)	Fair market value	Standard real estate appraisal methods
ands in	RS - 25% of all monies realized from National Forests	None[1]	States for distribution to the counties	End of fiscal year	Benefit of schools and roads of county within which forest is located	Dept. of Agriculture (Forest Service)	"Stumpage" value of timber; market value of other products	--
ated ts in exico	RS - calculated % of National Forest revenue is placed in school fund	None[1]	Arizona and New Mexico	End of fiscal year	Proceeds go into common school funds of Arizona and New Mexico	Dept. of the Interior (BLM)	Stumpage value of timber	--
nd ad ,700)	RS 50% - Counties 25% - access roads and improvements 25% - administration	Cost of access roads up to the first 25% received by the county	The 18 counties in which the O&C lands are located	End of fiscal year	25% is used for access roads and improvements; residue is returned to the counties	Dept. of the Interior (BLM)	Gross proceeds from the sale of timber and other forest products	--
y Lands	PILT - Current taxes are paid out of first 75% of receipts[4]	Cost of appraisal	The 2 counties in which the Coos Bay lands are located	End of fiscal year	Must be used for schools, roads, highways, bridges and port districts	Dept. of the Interior (BLM)	Local tax rates applied to appraised value of lands. Lands appraised every 10 years	Land is assessed by a committee of three: 1. county rep. 2. Interior rep. 3. non-aligned third party
d l ding	52-1/2% Reclamation Fund 37-1/2% States 10% U.S. Treasury Alaska - 90% to State 10% to Treasury for expenses of administration	None	States	Biannually, after Dec. 31 and June 30	Construction and maintenance of public schools. Support of schools as directed by legislature. These restrictions do not apply to 52-1/2% of Alaska's 90%	Dept. of the Interior (BLM) --	% of value of products mined	--
sc	RS 37-1/2% States 50% Reclamation Fund 12-1/2% - U.S.	Administrative costs, designated in individual leases	States	End of fiscal year	None	Federal Power Commission	% of Power sales	--
oject	PILT - Arizona and Nevada each receive $300,000 annually	Any payments made for taxes on the project, the electrical energy, or the privilege of operating are deducted before PILT is paid	Arizona and Nevada each receive $300,000 annually	On or before July 31st until 1987	None	Dept. of the Interior (Reclamation Bureau)	Project must generate enough revenue to make payments	--
TVA	PILT - 5% of gross revenues - not less than $10,000 to each State, or the two year average of State & local taxes last assessed prior to acquisition by TVA. Payments to counties equal two-year average of taxes assessed before acquisition by TVA & deducted before making payments to States	Payments to counties are deducted before payments to States are made. Proceeds from sale of power to corp. or agency of U.S. not included in gross receipts.	States and counties	Monthly	None	Tennessee Valley Authority	% of revenue from power sales - amount received by each State based 1/2 on % power sales in state and 1/2 on % of book value of TVA property in the State	Minimum payments not less than $10,000 to each State or two-year average of State and local taxes assessed immediately before acquisition by TVA

agencies for 1966 and used in the resource data bank
hould be remembered that with respect to revenue
icular statute is not determinative of the amount of
roduced which determines the shared amounts. In the
the payment is more closely related to the amount of

t considered in the determination of gross revenues.

in 1937, 50 Stat. 874.

in 1939, 53 Stat. 753.

4. 25% is used for administrative costs and any balance is paid into the General Fund of the U. S. Treasury.

5. 87-1/2% of remainder is to pay administration costs.

6. In 1948, agreements were concluded with four counties in Washington which provide for the annual payments to each of the counties of the lesser of (1) the taxes which would have been levied on the land had it remained in private ownership, or (2) 50% of the revenues derived from the leasing of such lands.

7. The remaining 10% is retained by the Federal Government essentially to cover the costs of administering the outstanding leasehold interests to which the selected lands may be subject.

8. Date of amendment, original enactment 1935, 49 Stat. 383.

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Statute	Date Enacted	Type and Acreage of Land or Program Affected by Statute	Type of Statute (RS or PILT (%))	Deductions Made Before Computation of Payments	Political Subdivision Receiving Payments	Date of Payments According to Statute	Restri Placed Use of
48 Stat. 1269, 43 U.S.C. § 315 Taylor Grazing Act (Digest LK)	1934	Vacant, unappropriated and unreserved lands of the public domain (except Alaska) excluding National Parks, O&C & CBWR lands (168,590,300)	RS - Grazing districts - 12-1/2%[5] isolated tracks - 50% Indian - 33-1/3% (ceded). Rented - none	None	States, for the benefit of the county in which the land is located	End of fiscal year	Money ceded must b the sc roads Others
57 Stat. 19, 16 U.S.C. § 835 c-1(a) Columbia River Basin Project (Digest LL)	1937	Land acquired for the Columbia Basin Project (58,900)	PILT - to be negotiated by Secretary of the Interior[6]	None	State or political subdivision with whom Sec. of the Interior has negotiated agreements.	Annually, no specific date	
50 Stat. 522, 7 U.S.C. § 1012 Bankhead Jones Farm Tenant Act (Digest LM)	1937	Submarginal land acquired under Title III of the Act	RS - 25% of net revenue	"Gross receipts less applicable refunds & adjustments"	Counties in which the land is located	End of calendar year	Shared must b school purpo
55 Stat. 650, 33 U.S.C. § 701 c-3 Army Corps of Engineers (Digest LN)	1941	Land acquired for flood control purposes (6,734,800)	RS - 75% of gross revenues	None	State (to be expended for benefit of counties)	End of fiscal year	State money having its s
58 Stat. 887, 11 designated Watersheds Under the Dept. of Agriculture (Digest LO)	1944	Land acquired for runoff and waterflow retardation by the Sec. of Agriculture	PILT - 1% of purchase price or 1% of value when acquired	No payments have ever been made under this legislation	County	Anually	
60 Stat. 765, 42 U.S.C. § 2208 Atomic Energy Commission Act (Digest LP)	1946	Land acquired by the Atomic Energy Commission (48,500)	PILT	None	State and local governments	Discretion of the Commission	
61 Stat. 681, 30 U.S.C. § 601-03 Sale of Materials from Federal Lands (Digest LQ)	1947	All public lands under control of Departments of Agriculture and Interior excluding National Parks and Monuments, and Indian lands	RS - Interior - same % as sale of public lands Agriculture - % will depend on statute under which land is administered O&C statute applies to O&C lands. Coos Bay statute applies to Coos Bay Lands	Depends upon Acts admitting States to Union or particular statute under which other payments from the affected lands are made	States or counties depending on the applicable law	Depends upon applicable law	Restr depe appli
61 Stat. 913, 30 U.S.C. § 355 Mineral Leasing on Acquired Lands (Digest LR)	1947	All acquired land not covered by existing "mineral leasing laws" but excluding lands acquired for National Parks and Monuments (5,195,421)	RS - % shared varies in the same manner as prescribed for other receipts from lands affected by the lease	Varies depending on applicable statutes	States or counties depending on applicable statutes	End of fiscal or calendar year depending on applicable statute	Vari appli
62 Stat. 568, 16 U.S.C. § 577g Superior National Forest ("BWCA") (Digest LS)	1948	The Boundary Waters Canoe Area of Superior National Forest (743,700)	PILT - 3/4 of 1% of the appraised value	None	Minnesota for distribution to Cook, St. Louis and Lake Countie	End of fiscal year	
63 Stat. 377, 40 U.S.C. § 490 General Services Administration (Digest LT)	1949	Real property declared surplus by Government Corporations under Surplus Property Act, 1944	PILT	No payments ever made under this legislation	Not specified in statute	Not given	
64 Stat. 849, 16 U.S.C. § 406d-1 Grand Teton National Park (Digest LU)	1950	Land acquired for Grand Teton National Park in Teton County, Wyo. after March 15, 1943 (37,000)	PILT - year of acquisition and next 9 years full taxes paid; next 20 years declining 5% each year. May not exceed 25% of receipts of Park in any one year	Any taxes paid on newly acquired land are deducted from the PILT before payment	Wyoming for further distribution to Teton County	End of fiscal year	

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Acreage Program by Statute	Type of Statute (RS or PILT (%))	Deductions Made Before Computation of Payments	Political Subdivision Receiving Payments	Date of Payments According to Statute	Restrictions Placed on the Use of Payments	Administering Agency	Price/Value At Which Share Is Calculated	Method of Assessment of Land for PILT
nappropriated erved lands of c domain (ex- ka) excluding Parks. O&C & s(168,590,300)	RS - Grazing districts[5] - 12-1/2% isolated tracks - 50% Indian - 33-1/3% (ceded). Rented - none	None	States, for the benefit of the county in which the land is located	End of fiscal year	Money from the ceded Indian lands must be used for the schools and roads of the county. Others - None	Dept. of the Interior (BLM)	% of grazing fee	--
ired for bia Basin 8,900)	PILT - to be negotiated by Secretary of the Interior[6]	None	State or political subdivision with whom Sec. of the Interior has negotiated agreements.	Annually, no specific date	None	Dept. of the Interior (Reclamation Bureau)	Result of negotiation between Sec. and local officials	6
al land under of the Act	RS - 25% of net revenue	"Gross receipts less applicable refunds & adjustments"	Counties in which the land is located	End of calendar year	Shared revenue must be used for school and road purposes	Dept. of Agriculture (Forest Service) and BLM	% of net revenue	--
ired for trol purposes 0)	RS - 75% of gross revenues	None	State (to be expended for benefit of counties)	End of fiscal year	State must pay the money to the county having the land for its schools and roads	Dept. of the Army (Corps of Engineers)	% of revenue derived from leasing acquired lands	--
ired for d waterflow on by the griculture	PILT - 1% of purchase price or 1% of value when acquired	No payments have ever been made under this legislation	County	Anually	None	Dept. of Agriculture (Forest Service)	% of purchase price or 1% of value when acquired	--
ired by c Energy n (48,500)	PILT	None	State and local governments	Discretion of the Commission	None	Atomic Energy Commission	PILT is to be made at the discretion of the AEC	Assessed value of land at time of acquisition
c lands under f Departments lture and excluding Parks and , and Indian	RS - Interior - same % as sale of public lands Agriculture - % will depend on statute under which land is administered O&C statute applies to O&C lands. Coos Bay statute applies to Coos Bay Lands	Depends upon Acts admitting States to Union or particular statute under which other payments from the affected lands are made	States or counties depending on the applicable law	Depends upon applicable law	Restrictions vary depending upon applicable statutes	Dept. of the Interior (BLM), Department of Agriculture	Negotiated or bid sale price	
red land not y existing leasing laws" ding lands for National Monuments 1)	RS - % shared varies in the same manner as prescribed for other receipts from lands affected by the lease	Varies depending on applicable statutes	States or counties depending on applicable statutes	End of fiscal or calendar year depending on applicable statute	Varies depending on applicable statute	Dept. of the Interior (BLM)	% of products mined	--
ary Waters a of National 43,700)	PILT - 3/4 of 1% of the appraised value	None	Minnesota for distribution to Cook, St. Louis and Lake Countie	End of fiscal year	None	Dept. of Agriculture (Forest Service)	% of appraised value of land	Land is reappraised every ten years by the Forest Service
erty declared y Government ons under Surerty Act, 1944	PILT	No payments ever made under this legislation	Not specified in statute	Not given	None	General Services Administration	Not given in statute	--
ired for on National eton County, r March 15, 000)	PILT - year of acquisition and next 9 years full taxes paid; next 20 years declining 5% each year. May not exceed 25% of receipts of Park in any one year	Any taxes paid on newly acquired land are deducted from the PILT before payment	Wyoming for further distribution to Teton County	End of fiscal year	None	Dept. of the Interior (Park Service)	Amount of taxes last paid when privately owned is the base used	--

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Statute	Date Enacted	Type and Acreage of Land or Program Affected by Statute	Type of Statute (RS or PILT (%))	Deductions Made Before Computation of Payments	Political Subdivision Receiving Payments	Date of Payments According to Statute
64 Stat. 1101, 20 U.S.C. § 237 Educational Impact Grants (Public Law 874) (Digest LV)	1950	Property acquired after 1938	PILT	Other financial compensation received	School districts	Annually
68 Stat. 93, 33 U.S.C. § 981 St. Lawrence Seaway Act (Digest LX)	1954	Land acquired by the St. Lawrence Seaway Development Corporation (2,900)	PILT - in discretion of Corp.	None	St. Lawrence County, Massena - Town - Village & School District	None (Local tax due dat
69 Stat. 719, Trinity River Basin Project (Digest LY)	1955	Lands acquired for construction of the Trinity River project (19,800)	PILT	None	Trinity County	Annually (Local tax du dates)
69 Stat. 721, 40 U.S.C. §§ 521-24 Payments on RFC Property (Digest LZ)	1955	Property formerly held by RFC (800)*	PILT	Any other PILT made with respect to the same lands	State and local taxing units	Date local taxes due
74 Stat. 1024, 43 U.S.C. § 853 Mineral leasing on State selected indemnity lands (Digest LAA)	1960	Mineral bearing lands selected by the States as indemnity for school section lands	RS - 90% of rents and royalties on the selected lands	None	States	After Dec. 31 and June 30
78 Stat. 701, 16 U.S.C. § 715s Migratory Bird Conservation Act (Digest LAB)	196[illegible][8]	Migratory Bird Sanctuaries on both public domain and acquired land (7,865,200)	RS-PILT. Public domain 25% of revenue Acquired land 25% revenue or 3/4 of 1% of appraised value	Necessary expenses are deducted by each sanctuary	Counties	End of fiscal year
78 Stat. 988, 43 U.S.C. § 1421 Public Sale Act as applied to Alaska (Digest LA)	1964	Vacant, unreserved lands located in Alaska, required for orderly growth of the community	RS - 90% of proceeds from the sale of certain land in Alaska until 12/31/70	Price paid to publish notice of sale paid by purchaser, and is not considered part of sale price	Alaska	As soon as practicable after June 30
Klamath Wildlife Refuge Act 78 Stat. 859; 16 U.S.C. § 695m (Digest LAC)	1964	Lands in Lower Klamath National Wildlife Refuge and the Tule Lake National Wildlife Refuge (172,000)	RS - 25% of net revenues received from leasing of lands not to exceed 50% of taxes levied on similar private lands	Cost of collection	Three counties in which Refuges located	Annually (after clos of fiscal year)

*Held by GSA only.

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reage Program Statute	Type of Statute (RS or PILT (%))	Deductions Made Before Computation of Payments	Political Subdivision Receiving Payments	Date of Payments According to Statute	Restrictions Placed on the Use of Payments	Administering Agency	Price/Value At Which Share Is Calculated	Method of Assessment of Land for PILT
uired	PILT	Other financial compensation received	School districts	Annually	None	Office of Education	Assessed value all property in school district (10% must be Federally owned)	Local Assessment
ed by rence lopment (2,900)	PILT - in discretion of Corp.	None	St. Lawrence County, Massena - Town - Village & School District	None (Local tax due dates)	None	Dept. of Transportation	Based on local tax rates	Local Assessment
red for of the r pro- 0)	PILT	None	Trinity County	Annually (Local tax due dates)	None	Dept. of the Interior (Reclamation Bureau)	Payment must equal lost taxes	Local assessment at time of taking is used to establish base figure locally
rmerly (800)*	PILT	Any other PILT made with respect to the same lands	State and local taxing units	Date local taxes due	None	GSA and other "holding" agencies	Local tax rate	Local assessment at time of taking is used to establish base figure locally determined
ring lands the States y for ion lands	RS - 90% of rents and royalties on the selected lands	None	States	After Dec. 31 and June 30	None	Dept. of the Interior (BLM)	Based on rents and royalties paid for mineral leases	--
ird Sanctu- th public acquired 200)	RS-PILT. Public domain 25% of revenue Acquired land 25% revenue or 3/4 of 1% of appraised value	Necessary expenses are deducted by each sanctuary	Counties	End of fiscal year	Solely for the benefit of schools and roads of the county	Dept. of the Interior (Bureau of Sport Fisheries and Wildlife)	% of revenue or % of appraised value	Every five years, using Agriculture Dept. tables of average farm values
served ed in uired for rth of ty	RS - 90% of proceeds from the sale of certain land in Alaska until 12/31/70	Price paid to publish notice of sale paid by purchaser, and is not considered part of sale price	Alaska	As soon as practicable after June 30	None	Dept. of the Interior (BLM)	Selling price must at least equal the apraised fair market value	Standard real estate appraisal methods
wer Klamath ldlife Refuge Lake Na- life Refuge	RS - 25% of net revenues received from leasing of lands not to exceed 50% of taxes levied on similar private lands	Cost of collection	Three counties in which Refuges located	Annually (after close of fiscal year)	Must be used for public schools and roads	Dept. of the Interior (Bureau of Reclamation)	Leasing proceeds	--

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PART 3

The Level and Aggregate Effect of Revenue Sharing and Payments in Lieu of Taxes on Public Lands

I. The Extent and Magnitude of Federal Land Ownership

Land is one of the most valuable resources of the nation. On it we build our cities, factories, highways, railroads and other productive facilities essential to our continuing growth as a nation; from it we secure our food, water, forest products and essential minerals.

A. The Federal Lands

The Federal government has been and is still the largest single owner of land in the United States. Federal ownership in 1966 accounted for 33.7% of the land area of the 50 states, according to the best available estimates assembled by the General Services Administration. On a fraction of this Federally owned land, the government has erected military facilities, administrative buildings, defense production plants and similar improvements. Most of the Federal lands remain in a national resource status for which it has gradually and increasingly assumed a management role. This role involves countrywide activities in forest preservation and productivity, mineral exploitation, grazing and range management, flood control, reclamation, recreation, wildlife preservation and many other land-oriented functions.

Similar responsibilities of lesser extent fall upon state and local governments who collectively also own about 5% of the land in the 50 states.

To focus on the distribution and ownership of land in the United States, Table No. A-1 shows by state the estimated acreage owned by the Federal Government, other governments and privately as of June 30, 1966. The data on Federal ownership are perhaps the more consistent and reliable. The table was constructed from estimates by the General Services Administration and the Department of Agriculture which are the best available today. As of 1954, there were various approximations of the extent of Federal land ownership but no national inventory based on consistent definitions. In 1955, the Second Hoover Commission prepared an estimate of land owned by Federal agencies, and recommended that an annual inventory be established. At the same time, the General Services Administration, acting on the instructions of the Committee on Government Operations of the U.S. House of Representatives, was assembling an inventory. From 1955 through 1964, the Committee issued inventory reports annually on the extent and value of Federal property. In 1965, the Committee decided to issue reports on a biennial basis, and the latest covers the states as of June 30, 1966.

Table No. A-1 reveals that out of the 2,271 million acres in the United States, the Federal Government owns almost 765 million acres. Federal land exists in each of the 50 states with the holdings from as few as 7,552 acres in Rhode Island to 358 million acres in Alaska, or virtually 98% of that state. The Federal lands are of two kinds: the public lands, or public domain lands which came into Federal ownership through massive land acquisitions such as the Louisiana Purchase, and what are known as acquired lands. The acquired

TABLE NO. A-1

OWNERSHIP OF LAND IN THE UNITED STATES AS OF JUNE 30, 1966 1/

	Total Land	Federally Owned			In Private and Other Ownership				
							Other Land Areas		
State	Acres (1)	Acres (2)	% of Total Land in State (3)	% of U.S. Total Federally Owned Land 2/ (4)	Total (5)	State Owned Rural (6)	Urban Areas 3/ 4/ (7)	Rural Highways, 3/ Railroads & Airports (8)	All Other Land 5/ (9)
Alabama	32,678,400	1,088,165	3.330	0.1423	31,590,235	285,939	774,000	549,000	29,981,296
Alaska	365,481,600	358,049,171	97.966	46.8190	7,432,429	6,809,238	21,000	80,000	522,191
Arizona	72,688,000	32,450,805	44.644	4.2433	40,237,195	9,211,909	312,000	286,000	30,427,286
Arkansas	33,599,360	3,126,711	9.306	0.4089	30,472,649	233,287	282,000	405,000	29,552,362
California	100,206,720	44,366,704	44.275	5.8015	55,840,016	1,647,966	2,456,000	1,174,000	50,562,050
Colorado	66,485,760	24,038,439	36.156	3.1433	42,447,321	3,263,913	230,000	652,000	38,301,408
Connecticut	3,135,360	9,748	0.311	0.0013	3,125,612	162,138	407,000	109,000	2,447,474
Delaware	1,265,920	36,260	2.864	0.0047	1,229,660	22,456	62,000	30,000	1,115,204
Florida	34,721,280	3,369,672	9.705	0.4406	31,351,608	564,389	1,003,000	572,000	29,212,219
Georgia	37,295,360	2,047,594	5.490	0.2677	35,247,766	154,546	765,000	511,000	33,817,220
Hawaii	4,105,600	397,929	9.692	0.0520	3,707,671	1,524,722	75,000	10,000	2,097,949
Idaho	52,933,120	34,015,623	64.262	4.4479	18,917,497	2,758,744	96,000	280,000	15,782,753
Illinois	35,795,200	483,753	1.351	0.0633	35,311,447	112,057	1,142,000	1,040,000	33,017,390
Indiana	23,158,400	396,013	1.710	0.0518	22,762,387	211,327	583,000	509,000	21,459,060
Iowa	35,860,480	191,609	0.534	0.0251	35,668,871	154,992	530,000	905,000	34,078,879
Kansas	52,510,720	642,784	1.224	0.0841	51,867,936	63,576	299,000	1,135,000	50,370,360
Kentucky	25,512,320	1,133,218	4.442	0.1482	24,379,102	161,579	314,000	83,000	23,820,523
Louisiana	28,867,840	1,040,481	3.604	0.1361	27,827,359	319,725	535,000	345,000	26,627,634
Maine	19,847,680	128,264	.646	0.0168	19,719,416	262,115	173,000	172,000	19,112,301
Maryland	6,319,360	187,082	2.960	0.0245	6,132,278	202,858	321,000	110,000	5,498,420
Massachusetts	5,034,880	71,224	1.415	0.0093	4,963,656	264,873	752,000	156,000	3,790,783
Michigan	36,492,160	3,276,972	8.980	0.4285	33,215,188	4,306,728	1,133,000	914,000	26,861,460
Minnesota	51,205,760	3,371,582	6.584	0.4409	47,834,178	5,121,317	778,000	900,000	41,034,861
Mississippi	30,222,720	1,554,551	5.144	0.2033	28,668,169	107,067	301,000	372,000	27,888,102
Missouri	44,248,320	1,761,061	3.980	0.2303	42,487,259	342,196	596,000	649,000	40,900,063
Montana	93,271,040	27,638,884	29.633	3.6141	65,632,156	5,310,227	74,000	728,000	59,519,929
Nebraska	49,031,680	724,256	1.477	0.0947	48,307,424	1,686,718	163,000	937,000	45,520,706
Nevada	70,264,320	60,971,262	86.774	7.9727	9,293,058	53,920	53,000	441,000	8,745,138
New Hampshire	5,768,960	705,365	12.227	0.0922	5,063,595	83,792	90,000	92,000	4,797,803

TABLE NO. A-1 (continued)

OWNERSHIP OF LAND IN THE UNITED STATES AS OF JUNE 30, 1966 1/

State	Total Land	Federally Owned			In Private and Other Ownership				
							Other Land Areas		
	Acres (1)	Acres (2)	% of Total Land in State (3)	% of U.S. Total Federally Owned Land 2/ (4)	Total (5)	State Owned Rural (6)	Urban Areas 3/ 4/ (7)	Rural Highways, 3/ Railroads & Airports (8)	All Other Land 5/ (9)
New Jersey	4,813,440	104,608	2.173	0.0137	4,708,832	228,859	996,000	123,000	3,360,973
New Mexico	77,766,400	26,726,733	34.368	3.4948	51,039,667	10,945,418	198,000	395,000	39,501,249
New York	30,680,960	231,533	0.755	0.0302	30,449,427	3,226,595	1,503,000	553,000	25,166,832
North Carolina	31,402,880	1,926,732	6.136	0.2519	29,476,148	258,251	596,000	585,000	28,036,897
North Dakota	44,452,480	2,083,727	4.688	0.2725	42,368,753	959,616	66,000	932,000	40,411,137
Ohio	26,222,080	230,645	0.880	0.0302	25,991,435	331,796	1,503,000	548,000	23,608,639
Oklahoma	44,087,680	1,384,784	3.141	0.1811	42,702,896	1,025,289	505,000	609,000	40,563,607
Oregon	61,598,720	32,184,821	52.249	4.2085	29,413,899	1,621,605	273,000	398,000	27,121,294
Pennsylvania	28,804,480	580,699	2.016	0.0759	28,223,781	3,041,994	1,300,000	671,000	23,210,787
Rhode Island	677,120	7,552	1.115	0.0010	669,568	37,714	126,000	20,000	485,854
South Carolina	19,374,080	1,128,939	5.827	0.1476	18,245,141	217,264	362,000	398,000	17,267,877
South Dakota	48,881,920	3,401,356	6.958	0.4448	45,480,564	1,681,477	87,000	870,000	42,842,087
Tennessee	26,727,680	1,626,440	6.085	0.2127	25,101,240	391,867	519,000	64,000	24,126,373
Texas	168,217,600	2,957,102	1.758	0.3867	165,260,498	3,351,153	2,501,000	1,501,000	157,907,345
Utah	52,696,960	35,180,735	66.760	4.6003	17,516,225	3,378,344	243,000	235,000	13,659,881
Vermont	5,936,640	256,176	4.315	0.0335	5,680,464	146,662	52,000	64,000	5,417,802
Virginia	25,496,320	2,160,859	8.475	0.2826	23,335,461	211,914	551,000	467,000	22,105,547
Washington	42,693,760	12,553,655	29.404	1.6415	30,140,105	3,375,908	489,000	327,000	25,948,197
West Virginia	15,410,560	962,581	6.246	0.1259	14,447,979	223,329	198,000	712,000	13,314,650
Wisconsin	35,011,200	1,781,874	5.089	0.2330	33,229,326	830,799	742,000	1,078,000	30,578,527
Wyoming	62,343,040	30,004,331	48.128	3.9234	32,338,709	3,863,941	48,000	523,000	27,903,768
Total Excl. D.C.	2,271,304,320	764,751,064	33.670	100.0000	1,506,553,256	84,754,109	27,178,000	25,219,000	1,369,402,147
District of Columbia	39,040	11,065	28.342	--	27,975	0	27,975	0	0
Total U.S.	2,271,343,360	764,762,129	33.670	--	1,506,581,231	84,754,109	27,205,975	25,219,000	1,369,402,147

Note: See page 3 for footnotes and sources.

TABLE NO. A-1 (continued)

OWNERSHIP OF LAND IN THE UNITED STATES AS OF JUNE 30, 1966

1/ The total land in the U S. and acreage owned by the Federal government as reported by the General Services Administration as of June 30, 1966. Distribution of land not owned by the Federal government based on latest available information from other government sources.

2/ Calculated exclusive of the District of Columbia.

3/ Includes state, county and municipal lands aggregating approximately 36 million acres.

4/ Represents only towns and cities of 1,000 population or more.

5/ Includes 50.3 million acres of Indian Trust and tribal lands.

Sources: Columns 1 to 4: Based upon General Services Administration Inventory Report on Real Property Owned by the United States Throughout the World, June 30, 1966.

Column 5: Column 1 less Column 2.

Column 6: Based upon U.S. Department of Agriculture, State Owned Rural Land 1962, Statistical Bulletin No. 360, Table No. 1, May 1965. Excludes road rights-of-way.

Column 7 and 8: Based upon U.S. Department of Agriculture, Major Uses of Land and Water in the United States. Agricultural Economic Report No. 13, 1962; Table No. 20.

Column 9: Represents residual of Column 5 less Columns 6, 7 and 8.

lands have been obtained by the government through purchase, condemnation or gift or by exchange for purchased, condemned or donated lands, or for timber on such lands. Whereas the government now owns acquired lands in every state, there are no public domain lands in 20 of the states.

In 12 states, the public lands represent more than 25% of the total land area in each of the respective states and in the aggregate more than six out of every 10 acres in combined area of the states. The public land states, to which reference will be made frequently throughout this report, are in order of the share Federal land is of the total in the state: Alaska, Nevada, Utah, Idaho, Oregon, Wyoming, Arizona, California, Colorado, New Mexico, Montana and Washington. Although the problems of Federal land ownership affect each and all the states, Federal land problems most acutely affect the 12 public land states (South Dakota is also a so-called public land state,[1] though the Federal land within it is less than 25% of the state's land area).

B. Sect. 10 PL 88-606 Federal Lands

The Public Land Law Review Commission's primary statutory responsibility is with policies and practices relating to the retention, management and disposition of the public lands and to certain acquired lands which have been incorporated as part of our national forests and wildlife refuges. The public lands include all public domain under the jurisdiction of any Federal agency except for some 2.14 million acres in western Oregon. These were part of public domain reconveyed and revested to the United States from grants originally made to private concerns to build the Oregon and California Railroad and the Coos Bay (military) Wagon Road.

Table No. A-1A shows, by Federal department and administering bureau, the acreage in each state of public domain and acquired lands which fall within the scope of the Commission. In 1966, the lands defined in Sect. 10 of PL 88-606 totaled 734.4 million acres of which 708.7 million were public lands and 25.7 million were acquired lands. The bulk of these Federal lands were under the jurisdiction of four agencies - Agriculture, Interior, Defense and the Atomic Energy Commission - with 10 agencies having responsibility for a small portion amounting to some 114,000 acres. The Bureau of Land Management controlled 475.4 million acres, or some 65% of Sect. 10 lands and the Forest Service had jurisdiction over 182.7 million acres or approximately 25%. The Fish and Wildlife Service controlled 27.1 million acres, 3.7% of the total Sect. 10 acreage; the National Park Service 18.3 million acres, or 2.5%, and the Department of Defense 17.4 million, or slightly less than 2.4%.

About 32% of all the lands in the United States are Sect. 10 lands. From Table No. A-1B it is evident that in the 12 public land states Sect. 10 lands represented 63.1% of the total lands in those states. In the 38 non-public land states, however, Sect. 10 lands were only 2.4% of the land in those states. This points up sharply the disproportionate geographic location of Sect. 10 lands and their concentration by chance within the Western portion of the country - 96.2% of Sect. 10 land are located within the boundaries of the 12 public land states listed above.

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[1] As used by the Bureau of Public Roads, Federal Highway Administration, in context with the Sliding Scale Highway Aid Program.

TABLE NO. A-1A

FEDERALLY OWNED LAND WITHIN SCOPE OF PLLRC STUDY, 1966[1]
BY STATE AND MAJOR AGENCY

(In Acres)

State	All Agencies Combined			Department of Agriculture				Department of the Interior		
				Forest Service[2]			Other[4]	Bureau of Land Mgmt.	Fish and Wildlife Service[2]	
	Total (1)	Public Domain (2)	Acquired (3)	Public Domain (4)	Acquired (5)	Other Public Domain[3] (6)	Public Domain (7)	Public Domain (8)	Public Domain (9)	Acquired (10)
Alabama	643,497	27,705	615,792	24,798	606,745	0	0	1,487	0	9,047
Alaska	358,032,222	358,032,193	29	20,735,668	14	0	2	305,008,310	18,622,448	15
Arizona	32,149,470	32,149,187	283	11,422,044	282	0	0	12,917,242	1,526,976	1
Arkansas	2,585,293	1,073,721	1,511,572	1,034,048	1,395,566	0	0	2,388	4,822	116,006
California	42,476,077	42,119,692	356,385	19,671,373	300,001	0	0	15,172,219	1,730	56,384
Colorado	23,078,791	23,053,591	25,200	13,721,435	3,253	0	0	8,257,099	4,935	21,947
Connecticut	16	0	16	0	10	0	0	0	0	6
Delaware	19,140	0	19,140	0	0	0	0	0	0	19,140
Florida	1,351,512	322,908	1,028,604	162,199	912,904	0	0	1,730	4,924	115,700
Georgia	1,168,770	0	1,168,770	0	780,630	0	0	0	0	388,140
Hawaii	1,767	0	1,767	0	0	0	0	0	0	1,767
Idaho	33,628,537	33,245,964	382,573	19,925,327	368,604	0	28,643	12,130,807	7,014	13,969
Illinois	264,313	448	263,856	383	212,330	0	0	0	65	51,535
Indiana	127,216	240	126,976	240	126,865	0	0	0	0	111
Iowa	28,383	341	28,042	0	0	0	0	0	334	28,042
Kansas	47,874	26,932	20,942	0	0	0	0	1,511	0	20,942
Kentucky	524,158	0	524,158	0	462,397	0	0	0	0	61,761
Louisiana	832,609	20,851	811,758	238	591,292	0	0	4,801	8,880	220,466
Maine	72,361	0	72,361	0	49,551	0	0	0	0	22,810
Maryland	21,015	0	21,015	0	0	0	0	0	0	21,015
Massachusetts	10,661	0	10,661	0	1,651	0	0	0	0	9,010
Michigan	2,707,343	298,580	2,408,763	279,030	2,308,972	0	0	4,451	2,802	99,791
Minnesota	3,308,748	1,394,671	1,914,077	1,118,379	1,663,810	0	0	41,069	288	250,267
Mississippi	1,194,099	6,032	1,188,067	1,740	1,132,528	0	0	979	3,278	55,539
Missouri	1,409,879	2,641	1,407,238	1,756	1,364,149	0	0	0	0	43,089
Montana	25,294,595	25,193,167	101,428	16,656,691	13,008	0	72,362	6,324,335	398,814	88,420
Nebraska	426,349	251,819	174,530	197,578	47,836	0	21,251	7,825	15,317	126,694

Footnotes on Page 3.

TABLE NO. A-1A

FEDERALLY OWNED LAND WITHIN SCOPE OF PLLRC STUDY, 1966 1/ BY STATE AND MAJOR AGENCY

(In Acres)

State	All Agencies Combined			Department of Agriculture				Department of the Interior		
				Forest Service 2/			Other 4/	Bureau of Land Mgmt.	Fish and Wildlife Service 2/	
	Total (1)	Public Domain (2)	Acquired (3)	Public Domain (4)	Acquired (5)	Other Public Domain 3/ (6)	Public Domain (7)	Public Domain (8)	Public Domain (9)	Acquired (10)
Nevada	60,869,686	60,812,025	57,661	5,038,370	21,091	0	0	47,746,234	2,872,464	36,570
New Hampshire	678,516	0	678,516	0	678,477	0	0	0	0	39
New Jersey	21,018	0	21,018	0	0	0	0	0	0	21,018
New Mexico	25,392,184	25,026,484	365,700	8,580,675	294,308	0	200,120	13,380,238	11,416	71,392
New York	17,156	0	17,156	0	0	0	0	0	0	17,156
North Carolina	1,233,801	0	1,233,801	0	1,124,470	0	0	0	0	109,331
North Dakota	446,494	208,750	237,744	520	0	103,010	0	75,966	7,227	237,744
Ohio	117,922	85	117,837	0	114,555	0	0	0	82	3,282
Oklahoma	399,505	160,021	239,484	836	237,637	0	6,694	17,818	77,806	1,847
Oregon	29,709,816	28,588,214	1,121,602	13,954,096 7/	912,821	492,399	14,594	13,433,634 8/	245,744	208,781
Pennsylvania	478,806	0	478,806	0	473,994	0	0	0	0	4,812
Rhode Island	26	0	26	0	0	0	0	0	0	26
South Carolina	725,148	0	725,148	0	587,718	0	0	0	0	137,430
South Dakota	1,654,436	1,609,571	44,865	1,121,220	0	79,400	360	278,355	1,168	44,865
Tennessee	609,413	0	609,413	0	599,795	0	0	0	0	9,618
Texas	775,976	0	775,976	0	658,023	0	0	0	0	117,953
Utah	34,930,362	34,685,741	244,621	7,757,126	214,835	0	0	22,934,381	66,369	29,786
Vermont	237,697	0	237,697	0	232,991	0	0	0	0	4,706
Virginia	1,489,726	0	1,489,726	0	1,473,036	0	0	0	0	16,690
Washington	11,400,039	11,088,968	311,071	9,453,768	236,933	0	160	274,670	37,777	74,138
West Virginia	909,656	0	909,656	0	909,441	0	0	0	0	215
Wisconsin	1,638,661	9,842	1,628,819	8,033	1,462,491	0	0	208	427	166,328
Wyoming	29,288,973	29,265,631	23,342	8,570,489	0	96,970	0	17,424,603	12,483	23,342
U.S. Total	734,429,712	708,676,015	25,753,697	159,438,060	22,575,014	771,779	344,186	475,442,360	23,935,590	3,178,683

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TABLE NO. A-1A

FEDERALLY OWNED LAND WITHIN SCOPE OF PLLRC STUDY, 1966[1]
BY STATE AND MAJOR AGENCY

(In Acres)

	Department of the Interior (Cont'd)				Department of Defense					
						Department of the Army				
State	National Park Service Public Domain (11)	Bureau of Reclamation Public Domain (12)	Bureau of Indian Affairs Public Domain (13)	Other[5] Public Domain (14)	Dept. of Air Force Public Domain (15)	Military Public Domain (16)	Corps of Engr's Public Domain (17)	Dept. of Navy Public Domain (18)	Atomic Energy Commission Public Domain (19)	Other Civil Agencies[6] Public Domain (20)
Alabama	0	0	0	0	0	1,160	112	0	0	148
Alaska	6,910,497	5,215	4,064,615	36,250	128,235	2,263,406	38,558	131,838	0	87,151
Arizona	1,319,816	1,314,919	89,375	0	2,563,671	969,795	23,610	10	0	1,729
Arkansas	892	0	0	0	0	320	31,251	0	0	0
California	3,857,445	888,088	0	0	91,299	679,545	14,779	1,740,982	0	2,232
Colorado	505,990	476,276	0	0	0	79	432	59,168	27,319	858
Connecticut	0	0	0	0	0	0	0	0	0	0
Delaware	0	0	0	0	0	0	0	0	0	0
Florida	89	0	0	0	135,461	14	137	17,224	0	1,130
Georgia	0	0	0	0	0	0	0	0	0	0
Hawaii	0	0	0	0	0	0	0	0	0	0
Idaho	83,740	432,133	0	2	113,093	3,171	8,715	0	513,239	80
Illinois	0	0	0	0	0	0	0	0	0	0
Indiana	0	0	0	0	0	0	0	0	0	0
Iowa	0	0	0	0	0	0	7	0	0	0
Kansas	0	0	0	0	0	24,934	0	0	0	487
Kentucky	0	0	0	0	0	0	0	0	0	0
Louisiana	0	0	0	0	0	0	6,704	0	0	228
Maine	0	0	0	0	0	0	0	0	0	0
Maryland	0	0	0	0	0	0	0	0	0	0
Massachusetts	0	0	0	0	0	0	0	0	0	0
Michigan	10,442	0	0	0	160	0	207	0	0	1,488
Minnesota	276	0	0	0	0	0	234,649	0	0	10
Mississippi	0	0	0	0	0	35	0	0	0	0
Missouri	0	0	0	0	0	0	75	0	0	810
Montana	1,126,892	192,195	0	0	148	138	421,429	0	0	163
Nebraska	2,003	7,815	0	0	0	20	10	0	0	0

Footnotes on Page 3.

TABLE NO. A-1A

FEDERALLY OWNED LAND WITHIN SCOPE OF PLLRC STUDY, 1966[1/]
BY STATE AND MAJOR AGENCY

(In Acres)

State	Department of the Interior (Cont'd)				Department of Defense				Atomic Energy Commission	Other Civil Agencies[6/]
	National Park Service	Bureau of Reclamation	Bureau of Indian Affairs	Other[5/]	Dept. of Air Force	Department of the Army		Dept. of Navy		
						Military	Corps of Engr's			
	Public Domain (11)	Public Domain (12)	Public Domain (13)	Public Domain (14)	Public Domain (15)	Public Domain (16)	Public Domain (17)	Public Domain (18)	Public Domain (19)	Public Domain (20)
Nevada	115,833	1,090,074	1,647	18	2,918,765	6,958	466	202,269	817,020	1,907
New Hampshire	0	0	0	0	0	0	0	0	0	0
New Jersey	0	0	0	0	0	0	0	0	0	0
New Mexico	216,577	88,448	48,680	0	83,035	2,403,753	5,480	0	2,120	5,942
New York	0	0	0	0	0	0	0	0	0	0
North Carolina	0	0	0	0	0	0	0	0	0	0
North Dakota	10,444	917	375	0	0	0	10,291	0	0	0
Ohio	0	0	0	0	0	0	0	0	0	3
Oklahoma	0	508	0	0	0	51,285	1,473	0	0	3,601
Oregon	158,303	211,628	0	52	354	8,440	31,130	37,320	0	520
Pennsylvania	0	0	0	0	0	0	0	0	0	0
Rhode Island	0	0	0	0	0	0	0	0	0	0
South Carolina	0	0	0	0	0	0	0	0	0	0
South Dakota	78,737	19,269	0	0	0	1,201	28,747	0	0	1,114
Tennessee	0	0	0	0	0	0	0	0	0	0
Texas	0	0	0	0	0	0	0	0	0	0
Utah	523,230	1,558,550	0	12,335	918,772	818,447	0	91,464	3,274	1,793
Vermont	0	0	0	0	0	0	0	0	0	0
Virginia	0	0	0	0	0	0	0	0	0	0
Washington	1,082,733	131,791	0	4	1,320	27,677	8,436	0	69,196	1,436
West Virginia	0	0	0	0	0	0	0	0	0	0
Wisconsin	0	0	0	0	0	553	0	0	0	621
Wyoming	2,271,937	865,609	0	0	3,861	9,744	'0	9,323	0	612
U.S. Total	18,275,876	7,283,435	4,204,692	48,661	6,958,174	7,270,675	866,698	2,289,598	1,432,168	114,063

Footnotes on Page 3.

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FOOTNOTES TO TABLE NO. A-1A

FEDERALLY OWNED LAND WITHIN SCOPE OF PLLRC STUDY, 1966[1]
BY STATE AND MAJOR AGENCY

1/ "Public lands" as defined in section 10 of Public Law 88-606.*

2/ All national forest and wildlife refuges and game ranges are included regardless of whether they have been established as public domain or acquired lands. Certain lands, such as the national grasslands under control of the Department of Agriculture are not included when on acquired lands not part of the national forests.

3/ Land in Oregon includes that portion of the controverted Oregon and California railroad grant lands (462,678 acres) incorporated in and given national forest status by statute (Act of June 24, 1954, 68 Stat. 270), and special areas (29,721 acres) set aside to be administered by the Forest Service. Lands in North Dakota, South Dakota and Wyoming are reserved public domain lands within the national grassland acreage administered by the Forest Service.

4/ Includes the following: Agricultural Research Service - 344,184 acres; and Soil Conservation Service (in Alaska only) - 2 acres.

5/ Includes the following: Bureau of Mines - 12,355 acres; Bonneville Power Administration - 57 acres; and Alaska Railroad - 36,248 acres.

6/ Includes the following: Commerce: Coast & Geodetic Survey - 290 acres; Weather Bureau - 10 acres.
Department of Health, Education & Welfare: Public Health Service - 691 acres.
Department of Justice: Immigration & Naturalization Service - 4 acres; Bureau of Prisons - 5,588 acres.
Department of State: International Boundary and Water Commission - 2,395 acres.
Treasury Department: Coast Guard - 49,156 acres.
General Services Administration - 51 acres.
Veterans Administration - 3,191 acres.
Federal Aviation Agency - 41,225 acres.
Federal Communications Commission - 173 acres.
National Aeronautics and Space Administration - 11,289 acres.

7/ Excludes 492,399 acres of Oregon and California Railroad lands administered by the Forest Service (see also footnotes 3 and 8).

8/ Excludes Coos Bay Wagon Road lands (74,530 acres) and Oregon and California Railroad lands (2,070,745 acres).

*Note: There will be slight variations between Section 10 lands in this and other PLLRC studies as additional data are acquired on the magnitude of these lands.

Source: Based on data from Reports Division, Central Office, General Services Administration and the Report of the Chief of the Forest Service, 1966 and Public Land Statistics, 1966, Bureau of Land Management USDI.

TABLE NO. A-1B

FEDERALLY OWNED LAND WITHIN SCOPE OF PLLRC STUDY, 1966[1/] PERCENT OF TOTAL LAND IN EACH STATE AND PERCENT DISTRIBUTION AMONG THE STATES

State	Total Public & Private Land	Section 10 Lands		
	Acres (1)	Acres (2)	% of Total Land in State (3)	% of U.S. Total Sect.10 Land[2/]
Alabama	32,678,400	643,497	1.969	0.0876
Alaska*	365,481,600	358,032,222	97.962	48.7497
Arizona*	72,688,000	32,149,470	44.229	4.3775
Arkansas	33,599,360	2,585,293	7.694	0.3520
California*	100,206,720	42,476,077	42.388	5.7836
Colorado*	66,485,760	23,078,791	34.712	3.1424
Connecticut	3,135,360	16	3/	4/
Delaware	1,265,920	19,140	1.512	0.0026
Florida	34,721,280	1,351,512	3.892	0.1840
Georgia	37,295,360	1,168,770	3.134	0.1591
Hawaii	4,105,600	1,767	0.043	0.0002
Idaho*	52,933,120	33,628,537	63.530	4.5789
Illinois	35,795,200	264,313	0.738	0.0360
Indiana	23,158,400	127,216	0.549	0.0173
Iowa	35,860,480	28,383	0.079	0.0039
Kansas	52,510,720	47,874	0.091	0.0065
Kentucky	25,512,320	524,158	2.054	0.0714
Louisiana	28,867,840	832,609	2.884	0.1134
Maine	19,847,680	72,361	0.365	0.0098
Maryland	6,319,360	21,015	0.332	0.0029
Massachusetts	5,034,880	10,661	0.212	0.0014
Michigan	36,492,160	2,707,343	7.419	0.3686
Minnesota	51,205,760	3,308,748	6.462	0.4505
Mississippi	30,222,720	1,194,099	3.951	0.1626
Missouri	44,248,320	1,409,879	3.186	0.1920
Montana*	93,271,040	25,294,595	27.119	3.4441
Nebraska	49,031,680	426,349	0.870	0.0580
Nevada*	70,264,320	60,869,686	86.630	8.2880
New Hampshire	5,768,960	678,516	11.762	0.0924
New Jersey	4,813,440	21,018	0.437	0.0029
New Mexico*	77,766,400	25,392,184	32.652	3.4574
New York	30,680,960	17,156	0.056	0.0023
North Carolina	31,402,880	1,233,801	3.929	0.1680
North Dakota	44,452,480	446,494	1.004	0.0608
Ohio	26,222,080	117,922	0.450	0.0161
Oklahoma	44,087,680	399,505	0.906	0.0544
Oregon*	61,598,720	29,709,816	48.231	4.0453
Pennsylvania	28,804,480	478,806	1.662	0.0652

Note: See page 2 for footnotes and sources.

TABLE NO. A-1B (continued) Page 2 of 2

FEDERALLY OWNED LAND WITHIN SCOPE OF PLLRC STUDY, 1966 1/ PERCENT OF TOTAL LAND IN EACH STATE AND PERCENT DISTRIBUTION AMONG THE STATES

State	Total Public & Private Land	Section 10 Lands		
	Acres (1)	Acres (2)	% of Total Land in State (3)	% of U.S. Total Sect. 10 Land 2/
Rhode Island	677,120	26	0.004	4/
South Carolina	19,374,080	725,148	3.743	0.0987
South Dakota	48,881,920	1,654,436	3.385	0.2253
Tennessee	26,727,680	609,413	2.280	0.0830
Texas	168,217,600	775,976	0.461	0.1057
Utah*	52,696,960	34,930,362	66.285	4.7561
Vermont	5,936,640	237,697	4.004	0.0324
Virginia	25,496,320	1,489,726	5.843	0.2028
Washington*	42,693,760	11,400,039	26.702	1.5522
West Virginia	15,410,560	909,656	5.903	0.1239
Wisconsin	35,011,200	1,638,661	4.680	0.2231
Wyoming*	62,343,040	29,288,973	46.980	3.9880
Total U.S.	2,271,304,320	734,429,712	32.335	100.0000
Total Public Land States	1,118,429,440	706,250,752	63.147	96.1632
Total Non-public Land States	1,152,874,880	28,178,960	2.444	3.8368

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* Public Land State.

1/ "Public lands" as defined in Section 10 of Public Law 88-606.

2/ Calculated exclusive of the District of Columbia.

3/ Less than 0.0005%.

4/ Less than 0.00005%.

Sources: Column 1: Based upon General Services Administration Inventory Report on Real Property Owned by the United States Throughout the World, June 30, 1966.

Column 2: Table No. A-1A, Column 1.

C. Characteristics of the Lands

The Sect. 10 lands include virtually any type of land one can imagine. There are extensive areas of almost worthless land and some quite valuable. Some lands are desert, some isolated mountaintops, and some fertile enough for grazing and other agricultural uses. The large forest acreage has increased in value as non-Federal sources of timber have declined. From beneath the surface of arid lands, grazing lands and, in fact, beneath forests and other lands come minerals which are needed by an expanding economy.

These lands are used by the government, and by private operators under lease for a multitude of purposes. Some are used unimproved in the form of grazing lands, or desert wastelands may be weapons testing ranges. Some are used as marginal agricultural lands; others for parks and recreational areas; still others as the sites for administrative, military and defense-industrial purposes.

Much of the property has never been on the tax rolls, although some acquired lands have been removed from state and local tax rolls because of Federal acquisitions for forest or wildlife preservation purposes, or for flood control. Most of the states and communities in the nation have felt few and usually only somewhat indirect effects from the existence and use of the public lands. These state and local governments typically do not participate in the sharing of proceeds from Federal lands, although contributing through general taxation, to Federal land management programs. In the 12 public land states, however, the states and local governments have considered themselves disadvantaged because the Federal Government owns such a high proportion of their land areas, and because they are not entitled, except in rare instances, to levy taxes on those lands. In partial offset, various revenue sharing of Federal proceeds from the lands and payment in lieu of tax programs have come into being. These will be discussed in the next section of this report.

The physical characteristics of the principal Federal land holdings play an important role. On the whole, these lands are not as yet as highly productive as other lands elsewhere in the 12 public land states nor elsewhere in the United States. Whereas, many years ago, the Federal policy was one of disposal of the public lands, it is now one which emphasizes conservation, improvement and multiple-use management. The current policy for Federal land utilization involves long range planning, and the continued development of effective management practices. These practices are discussed in Part 4 of this report.

Currently, the principal Federal land utilization programs, setting aside the military and defense uses, are those which concern the national forests, grazing, conservation of wildlife, flood control, reclamation and minerals. The establishment of the national forest system in 1891[1] was the first major departure from the policy of disposal of public lands. The more than 181 million acres of public and acquired lands in the system are a natural resource for the production of timber and have increased steadily in value; some of the forests within the system have become heavily visited recreation areas. Within the forests and even more substantially elsewhere, there are lands at present best suited for the grazing of animals. In addition to these woodlands, there are extensive areas of open and brushland upon which the Federal agencies grant grazing leases and permits. This land is not usually suitable for other purposes. The average market value of such acreage is very low compared with that of forested lands which also have commercial timber crop potentiality.

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[1] 26 Stat. 1095, 1103 (1891).

Although the surface of much of the Federal lands is generally of low productivity, there are valuable known and potential subsurface mineral deposits in millions of acres of the lands. Under the Mineral Lands Leasing Act of 1920,[1] the Federal Government began to grant leases and permits for mineral exploration and exploitation. In 1966, the Bureau of Land Management was leasing the mineral rights on some 62 million acres. In addition, the Fish and Wildlife Service had in effect mineral leases covering the subsurface minerals on approximately 4 million more acres in the wildlife conservation areas.

The utilization and management of the Federal lands for revenue-producing purposes extends more broadly than indicated in the preceding paragraphs. Although programs in the national forests and mineral leasing are the largest revenue-generating programs, the existing Federal statutes which were described in Part 1, Chapter V, Figure L-1, have originated some 28 programs which permit revenue sharing and payment in lieu of taxes on Sect. 10 and non-Sect. 10 lands in Federal ownership. In 1966, out of the 734 million acres of Sect. 10 lands, slightly less than half of the total, or 363 million acres, were involved in generating revenues shared by the Federal government with state and local governments. On non-Sect. 10 lands, some 10 million acres were involved either in activities from which revenues were received and shared with non-Federal governments or on which payments in lieu of taxes to state and local governments were authorized.

II. Federal Sharing of Revenues and Payments in Lieu of Taxes with State and Local Governments

A. Introduction

Federal property is immune from taxation by state and local governments, except as specifically authorized by statute. With respect to the Federal lands, Congress, by various legislation, has authorized the payment of in lieu taxes and the sharing of revenues derived from the use of certain Federally owned real property. Since 1957, there have been 31 land-related programs on the basis of which revenues have been shared or payments made in lieu of taxes to states and/or local governments where the Federal lands which generate the revenues are located. In 1966, 28 such programs were in legal force, and the major one, the national forests, has been in existence since 1906. Payments were made in 48 of the 50 states and aggregated $131.1 million, most of which, $92.8 million, originated from programs on Sect. 10 lands. In addition, the Federal Government made payments to the states under three other programs which are not revenue sharing or payments in lieu of taxes but which are payments apportioned to the states on the basis of impact of the public lands. These latter three programs under the administration of the Department of Transportation provided the eligible states in 1966 with a total of $108.3 million, a sum representing 82.5% of the amount that was shared with the states and/or counties from revenue sharing programs.

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[1] 30 U.S.C. § 181 et.seq.(1964).

As Federal policy shifted from disposal of public lands to one of conservation and management, most of these revenue sharing and other programs came into being progressively, starting as early as 1802 when the Act admitting Ohio as a state[1] provided for a sharing of the proceeds from sales of the public lands in the state. Without provision for sharing revenues, there would probably have been greater opposition in Congress to legislation which has proven very beneficial. The various statutes, however, provide for a wide variety in the percentages of the receipts which are to be shared. These now range from 5% to 90%. with individual program receipts subject to sharing based on 5, 10, 12-1/2, 25, 37-1/2, 75 and 90%, and in some instances to payments which differentiate according to the type of land, whether public domain or acquired. In addition, payments in lieu of taxes are made on various bases. The complexity of the system of payments has already been described in Part I of this report.

B. Historical Record of Payments

In no one agency nor from any single source was it possible to secure a consistent historical record of the payments by program and the lands involved on a state basis. Information on a county basis was even more difficult to assemble, and in a number of instances was not available because the records are not available or were never kept in the appropriate detail. In many instances, the payments made to states have been distributed to local governments without maintaining identity of the source of funds.

This study involved two major research efforts in addition to the legal review: first, an exhaustive survey involving five states and 50 selected counties, all of which are characterized by having extensive holdings of Federal lands within their boundaries, and, second, construction of a computer data bank containing information on the annual payments and acreages involved in each program for the years 1957 through 1966. This is the first and basic record of revenue sharing and payments in lieu of taxes assembled in a format which will permit updating and correction of the records and their analysis in relation to key demographic data such as population, income, state and local revenues and expenditures which have also been incorporated in the data bank.

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[1] 2 Stat. 226 (1803).

The payments data were assembled with the cooperation of each agency which manages property pursuant to legislation specifying revenue sharing or payments in lieu of taxes. With few exceptions the information was extracted from payment vouchers or other records submitted by the agencies. The computer print-out of the master file in a format providing a 10-year comparison including an index and per acre computations by state and county ran to 484 pages for payments on Sect. 10 lands and 183 pages for payments on non-Sect. 10 land programs.

Table No. A-2 provides a descriptive index of the various programs in the data bank. This shows the years for which definitive data are on record. The information is a virtually complete record of payments on a state basis and for the United States as a whole. The records of payments by county are less complete, in part because agency records were not kept in that detail and in part because there is no record of how the states distributed the payments.

It is apparent from this table that Sect. 10 lands include two payment in lieu of tax programs - these involving the Superior National Forest area and the Boulder Canyon Project - while the majority of programs on non-Sect. 10 lands are of the PILT type. The latter programs, as will be seen shortly, have not involved payments of great magnitude. They, however. do involve a higher payment per acre than do the revenue sharing programs.

Table No. A-3 identifies the different types of acreages included in the data bank as reported by the agencies. The data bank records pertaining to Sec. 10 and to non-Sect. 10 programs contain the total program acreage held by the agency subject to lawful revenue sharing provisions. Only a portion of such acreages at any time originate revenues for sharing with states and/or local governments. These include primarily the 181 million acres in the national forests and the 4.5 million acres in the national grasslands, both under the jurisdiction of the Forest Service, and the 152 million acres of grazing lands administered by the Bureau of Land Management under Section 3 of the Taylor Grazing Act. Some substantial portion of these lands have not produced any revenue during the 10-year study period. On the other hand, Forest Service payments in 1966 were distributed from all forest areas to 664 counties where the woodlands are located.

For a majority of the programs, the acreages reported and contained in the data bank are those for the specific lands which generated revenues - and in some instances the proceeds for an entire year were less than 50 cents. In other instances, acreage was not germane as a basis of the payments, as, for example, in connection with the TVA payments which are determined on the percentage of gross proceeds from the sale of power.

The data bank historical records are the best now available on revenue sharing and payments in lieu of taxes. There are a few gaps in the earlier years, 1957-58, which do not significantly affect the time series on payments

TABLE NO. A-2

Page 1 of 2

DESCRIPTIVE INDEX OF PUBLIC LAND LAW REVIEW COMMISSION DATA BANK ON REVENUE SHARING AND PAYMENTS IN LIEU OF TAX PROGRAMS, 1957-1966

Program	RS & PILT Payments Data		Acreage Data	
	States	Counties	States	Counties
Section 10 Lands				
National Forests	1957-66	1957-66	1957-66	1957-66
Superior National Forest (PILT)	1957-66	1957-66	1957-66	1957-66
Arizona & New Mexico School Fund[1/]	1957-66	1957-66	*	*
Boulder Canyon (PILT)[2/]	1957-66	1957-66	1959-66	1959-66
Klamath Reclamation Project[3/]	1966	1966	1966	1966
Migratory Bird Act	1957-66	1957-66	1957-66	1957-66
National Grasslands, BSF&W[4/]	1961-66	1961-66	1961-66	1961-66
Alaska Game Licenses[5/]	1957-63	1957-63	*	*
Pribilof Islands Fund[6/]	1960-65	*	*	*
Mineral Leasing Act	1957-66	1960-66[7/]	1957-66	NA
Sale of Public Lands & Materials	1957-66	1960-66[8/]	1957-66	NA
Taylor Grazing - Section 15	1957-66	1960-66	1957-66	NA
Taylor Grazing - Section 3	1957-66	1960-66	1957-66	1960-66
Alaska School Lands[9/]	1957-62	*	*	*
Nonsection 10 Lands				
Atomic Energy Commission (PILT)	1957-66	1957-66	1957-66	1957-66
National Grasslands, USDA	1957-66	1957-66	1957-66	1957-66
Trinity River Basin Project (PILT)	1957-66	1957-66	1957-66	1957-66
Columbia Basin Project (PILT)	1957-66	1957-66	1957-66	1957-66
Grand Teton National Park (PILT)	1957-66	1957-66	1957-66	1957-66
Coos Bay Wagon Road (PILT)	1957-66	1957-66	1957-66	1957-66
O&C Railroad Grant Lands	1957-66	1957-66	1957-66	1957-66
National Grasslands, BLM[10/]	1959-66	1959-66	NA	NA
State Selected Mineral Lands[11/]	1963-66	1963-66	NA	NA
GSA Surplus Lands (PILT)	1957-66	1957-66	1966	1966
OCE, Civil Projects, Flood Control	1957-66	1957-66	1958-66	NA
Former RFC - Army (PILT)[12/]	1957-8/61-66	1957-8/61-66	1965	1965
Former RFC - Navy (PILT)[12/]	1957-8/61-66	1957-8/61-66	1965	1965
Former RFC - Air Force (PILT)[12/]	1957-8/61-66	1957-8/61-66	1965	1965
Federal Power Commission	1957-66	*	*	*
Tennessee Valley Authority (PILT)[13/]	1957-66	*	1957-66	*
St. Lawrence Seaway (PILT)	1957-66	1957-66	1957-66	1957-66
Related Programs[14/]				
BPR Sliding Scale Payments	1957-66	NA	*	*
National Forest Highway Fund	1957-66	NA	*	*
Public Lands Highways	1957-66	NA	*	*

See Page 2 for footnotes.

Erratum: Tables A2, A3, A4, A5, and A6 refer to National Grasslands under the jurisdiction of BLM and BSF&W; these are not National Grasslands, but land utilization (LU) projects (National Grasslands are under the authority of the Department of Agriculture).

FOOTNOTES TO TABLE NO. A-2

DESCRIPTIVE INDEX OF PUBLIC LAND LAW REVIEW COMMISSION DATA BANK ON REVENUE SHARING AND PAYMENTS IN LIEU OF TAX PROGRAMS, 1957-1966

* Information not germane for analytical purposes.

NA - Information not available from agencies or other sources.

1/ Acreage included under National Forests. Payments are additional.

2/ Acreage not available for 1957 and 1958; payment by county only for Mohave, Arizona.

3/ First payments under program made in 1966.

4/ Jurisdiction over lands transferred from USDA in 1960 (Executive Order 10890), (also called LU Lands).

5/ Program discontinued in 1963.

6/ Program cancelled by legislation in 1966.

7/ Mineral leasing payments available for counties in nine states.

8/ Acreage available only for counties in Colorado.

9/ Program discontinued in 1962.

10/ Jurisdiction over lands transferred from USDA in 1958 (Executive Order No. 10787), (also called LU Lands).

11/ First payments under program made in 1963.

12/ Information not available for other years.

13/ Direct payments only.

14/ Significant public land related programs which are neither RS nor PILT in character.

TABLE NO. A-3

TYPES OF ACREAGE DATA INCLUDED IN RESOURCES DATA BANK
(As Recorded from Agency Vouchers or Other Sources)

Programs	Total Lands in Agency Program	Land on Which Payments Made	Data or State	Record for County
Section 10				
National Forests	x1/		X	X
Superior National Forest (PILT)	X		X	X
Arizona & New Mexico	X		X	2/
Boulder Canyon (PILT)		X	X	3/
Klamath Reclamation Project		X	X	X
Migratory Bird Act		X	X	X
Alaska Game Licenses		NA	NA	NA
National Grasslands (BSF&W)		X	X	X
Mineral Leasing Act		X	X	4/
Sale Public Land & Material		X	X	NA
Taylor Grazing - Section 15		x5/	X	NA
Taylor Grazing - Section 3	x6/		x6/	x6/
Alaska School Land		NA	NA	NA
Pribilof Islands Fund		NA	NA	NA
Non Section 10				
National Grasslands (USDA)	x7/		X	X
Flood Control Program (OCE)	x8/		X	NA
Former RFC Army (PILT)		9/	9/	9/
Former RFC Navy (PILT)		9/	9/	9/
Former RFC Air Force (PILT)		9/	9/	9/
Trinity River Basin (PILT)		X	X	X
Columbia Basin Project (PILT)		X	X	X
Grand Teton National Park (PILT)		X	X	X
Coos Bay Wagon Road (PILT)	X		X	X
O & C Railroad Grant	X		X	X
National Grasslands (BLM)	NA10/		NA10/	NA10/
State Selected Mineral Land		X	X	NA
St. Lawrence Seaway (PILT)		X	X	X
Atomic Energy Commission (PILT)		X	X	X
GSA Surplus Property (PILT)		x9/	X	(1966 only)
Tennessee Valley Authority (PILT)		X	X	NA
Federal Power Commission		NA	NA	NA

1/ All National Forests except programs separately listed. Excludes "O&C" lands.
2/ Partially available.
3/ For Mohave County only.
4/ County data for some states only.
5/ From Table 94 Public Land Statistics, 1966 and equivalent tables in issues for earlier years.
6/ Acreage reported by agency for 1966 included vacant public lands, LU & other reserved lands and lands which BLM received fees, but excluded lands administered by BLM for which fees went to other agencies. From 1960-65, only vacant public grazing lands were reported and comparative data for 1957-59 were secured from Public Land Statistics.
7/ Surface acreage except where reported mineral acreage exceeded reported surface acreage.
8/ Acreage from Public Land Statistics, various years, and represents all public domain and acquired lands under jurisdiction of OCE.
9/ PILT payments on former RFC properties made only when such properties are under lease to private interests. Acreage data made available only for 1965 or 1966 for some counties or states, and otherwise are shown as "NA" except in years when no payments were reported.
10/ Acreage in 1966 probably included with Taylor Grazing, Section 3 program. Agency indicated as not available for any period.

Source: Agency Payment Vouchers, except as noted.

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for all programs combined. It is important, however, that the data bank should be maintained, improved and utilized as a management tool for the evaluation of Federal management practices. In Appendix 2, Section 4, the necessary data reforms are discussed at length to indicate why more detailed information more frequently available is required.

C. The Share State and Local Governments Receive

From the 31 revenue sharing and payment in lieu of tax programs in effect during part or all of the 10-year period, 1957-1966, the states and counties received $1,022.1 million as their recompense for Federal lands not on the tax rolls. The aggregate annual payments increased in amount each year, rising from $80.4 million in 1957 to $131.1 million in 1966, a growth in magnitude of 61.5%. In contrast, the funds apportioned to the states under provisions of the BPR Sliding Scale, the National Forest Highway Fund and the Public Lands Highway Fund amounted to $917.9 million over the 10-year period. The highway program payments come from appropriated funds. The RS and PILT payments come into the benefiting states as a sharing of proceeds from a diversity of Federal activities in the leasing of land or mineral rights, the sale of land, timber and other materials and from direct payments on property in lieu of taxes. This situation, where three programs provide almost as much money to the states as did 31 revenue sharing programs, deserves serious consideration.

D. Sect. 10 Lands

Only four of the Sect. 10 programs are widely dispersed among the states: the Migratory Bird Refuges Program which supported payments in 43 states in 1966, the National Forest Program with payments in 40 states, proceeds from public lands and materials sales in 24 states, and most importantly, mineral leasing payments made in 23 states. Apart from the share of mineral leasing proceeds going directly to states, some 52.5% or more of the gross proceeds go into the Reclamation Fund along with 95 to 100% of the proceeds from sales of public land. In 1966 alone, $61.5 million were deposited in the Reclamation Fund. This sum represents almost one-half of the revenue the states received directly from all lands, two-thirds of the revenues from Section 10 lands. An examination of the fund and its operations is made in Appendix 2, Section 2.

The total 1966 payments to the states from Sect. 10 lands, which were 62.2% higher than in 1957, were within 4 percentage points of matching the 1957 to 1966 growth in aggregate personal income. The increase in payments made to non-public land states, however, exceeded the growth in personal income in these, while in the 12 public land states, payments grew by only 63.6% as personal income grew 77.8%. In those 12 states population increased by 26%, or proportionally twice as fast as in other parts of the country, which largely explains the high 10-year growth in personal income.

The increased payments to the states were not caused by any increase in the number of acreages leased or under permit. Actually, the acreage under mineral lease declined from the 80.4 million acres in 1957, then providing an average of 35 cents per acre in shared revenue, to 62.2 million acres leased in 1966 at an average of 77 cents each. Although the national forest acreage increased by some 1.4 million acres from 179.7 million in 1957 to 181.1 in 1966, the average per acre payments to the states increased 1-1/2 times from 15 cents to 23 cents per acre. Changes both in the acreage producing revenues and in the basis for computing payments jumped per acre payments on wildlife refuges from 9 cents to 20 cents over the 10-year period. On the Taylor Grazing lands, however, the per acre payment stayed at extremely low levels of from 1 to 2 cents[1] per acre based on a 12-1/2% sharing basis. Comparatively, former land utilization (Bankhead Jones Act) properties in the national grasslands were generating payments of more than twice as much per acre after allowing for the 25% payment basis for them.

Tabulation of payments from the data bank by states clearly shows that the 12 public land states have benefited most from Federal payments on Sect. 10 lands. This, of itself, is not a surprising fact since those states hold 96% of the Sect. 10 lands. They received, however, about 92.5% of all the payments made in 1966 compared with 88% in 1957. This indicates the proceeds from the major programs have increased and that those programs, mineral leasing in particular, are heavily centered in those states.

Table No. A-4 presents a 10-year record of total payments made to states under RS & PILT programs on Sect. 10 land. The predominant programs are revenue sharing in nature. Over the 10 years, payments totaled $735.9 million or an average of $73.6 million per year, although the payments actually amounted to $57.3 million in 1957 but increased to $92.8 million in 1966, a rise of 62.2%. Over the period, payments accruing from mineral leasing were $401.9 million, 56.5% of the total for all programs. Next in importance were payments from national forests which aggregated $306.8 million. Other 10-year payments on Sect. 10 sharing programs ranged downward from the $6.8 million paid out to 43 states under Migratory Bird Act provisions, a level which was almost equaled by the PILT payments to two states of $6 million on the Boulder Canyon Project.

Had payments on forest lands been at the 37-1/2% rate for mineral leasing, instead of at the national forest program rate of 25%, the states would have received 50% more, or $460 million. Total revenue sharing payments have averaged slightly more than 31% of net receipts. Despite the legislative determinations on why certain percentages should apply to the different programs, there is some reason to question the wide diversity of percentages which do apply and their effect upon the total payments which the states receive.

Table No. A-5 demonstrates the relationship of gross receipts by the Federal government in 1966 and the payments made to the states. This table, which also provides the basis for evaluating several alternatives in Part 4 of this report, indicates that in actual fact the states receive a much smaller percentage of gross receipts than when that percentage is calculated only on the revenue sharing programs. Instead of 31% going back to the states only some 25% effectively reaches them in the form of direct benefits. This is the percentage that would result from dividing total accrued payments of $92.8 million

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[1] In some tracts, revenues shared amounted to less than 1 cent per acre.

TABLE NO. A-4

ACCRUED PAYMENTS TO STATES UNDER REVENUE SHARING AND PILT PROGRAMS, BY PROGRAM, 1957-1966 ON FEDERAL LANDS WITHIN SCOPE OF PLLRC STUDY[1]
(In Thousands of Dollars)

Agency and Program	1957 (1)	1958 (2)	1959 (3)	1960 (4)	1961 (5)	1962 (6)	1963 (7)	1964 (8)	1965 (9)	1966 (10)
Revenue Sharing Programs										
Department of Agriculture										
National Forests	26,975.3	22,202.9	29,666.9	35,406.8	25,054.2	27,233.0	29,992.0	32,835.7	35,502.9	41,940.8
Arizona - New Mexico National Forests[2]	105.5	117.2	113.9	139.7	99.2	80.5	100.4	108.2	112.1	102.9
Department of the Interior										
Migratory Bird Act	610.6	506.4	506.2	486.6	496.8	582.5	587.7	377.3	1,063.8	1,550.7
National Grasslands (BSF&W)	0	0	0	0	5.6	4.0	2.0	2.8	2.3	1.4
Sale of Public Land & Material	198.1	174.8	273.8	304.3	259.9	249.3	230.0	229.5	220.4	241.8
Mineral Leasing Act	28,246.3	34,365.1	35,750.5	34,668.4	36,686.4	45,401.4	45,327.0	47,418.9	46,471.6	47,594.4
Taylor Grazing Act, Section 3	179.6	225.3	225.9	257.1	218.4	205.3	285.0	302.9	290.8	320.6
Taylor Grazing Act, Section 15	178.7	176.0	176.9	209.7	200.7	183.6	209.0	265.6	261.4	277.0
Alaska School Lands	21.9	13.5	33.5	11.9	4.4	0.4	0	0	0	0
Alaska Game Licenses	91.2	99.9	95.3	17.3	1.8	0.8	0.1	0	0	0
Pribilof Islands Fund	0	0	0	813.9	1,050.0	536.8	702.8	589.3	963.6	0
Klamath Reclamation Project	0	0	0	0	0	0	0	0	0	73.5
Subtotal - Revenue Sharing Programs	56,607.2	57,881.1	66,842.9	72,315.7	64,077.4	74,477.6	77,436.0	82,130.2	84,888.9	92,103.1
Payment in Lieu of Tax Programs										
Department of Agriculture										
Superior National Forest	48.0	48.2	121.3	123.3	123.6	125.4	130.6	136.9	140.6	144.8
Department of the Interior										
Boulder Canyon Project	600.0	600.0	600.0	600.0	600.0	600.0	600.0	600.0	600.0	600.0
Subtotal - PILT Programs	648.0	648.2	721.3	723.3	723.6	725.4	730.6	736.9	740.6	744.8
Grand Total	57,255.2	58,529.3	67,564.2	73,039.0	64,801.0	75,203.0	78,166.6	82,867.1	85,629.5	92,847.9

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[1] As defined in Section 10 of Public Law 88-606, except that OCE-Flood Control Program payments are omitted because separation by type of land is not feasible on the basis of available reports.

[2] Payments into common school funds for designated school section lands.

Source: Compiled from special and published reports of agencies, including Public Land Statistics, 1957-66, Bureau of Land Management and Annual Report(s) of the Secretary of the Treasury, 1957-66.

TABLE NO. A-5

GROSS RECEIPTS AND PAYMENTS TO STATES FROM REVENUE SHARING, PILT AND RELATED PROGRAMS, 1966 ON FEDERAL LANDS WITHIN SCOPE OF PLLRC STUDY

(In Dollars)

Agency and Program	Program Gross Receipts (1)	Accrued Payments to States (2)
1. Revenue Sharing Programs		
U.S. Department of Agriculture		
National Forests	167,762,996	41,940,749
Arizona - New Mexico National Forests School Section Lands	102,930	102,930
U.S. Department of the Interior		
Bureau of Sport Fisheries & Wildlife		
Migratory Bird Act	2,956,208	1,550,703
National Grasslands (LU & Reserved Lands)	5,597	1,399
Bureau of Land Management		
Sale of Public Land & Timber	6,044,381 1/	241,775
Mineral Leasing Act	114,871,020 2/	47,594,344 2/
Taylor Grazing Act - Section 3	2,546,195	320,627
Taylor Grazing Act - Section 15	554,061 3/	277,031
Bureau of Reclamation		
Klamath Reclamation Project	294,096	73,524
Subtotal - Revenue Sharing	295,137,484	92,103,082
2. PILT Programs		
U.S. Department of Agriculture		
Superior National Forest	--	144,815
U.S. Department of the Interior		
Boulder Canyon Project	--	600,000
Subtotal - Revenue Sharing and PILT	295,137,484	92,847,987
3. Related Programs		
Knutson-Vandenburg (K-V) Collections	22,574,790	--
Road Construction by National Forest Timber Purchasers	56,037,267	--
Grand Total - Gross Receipts	373,749,541	92,847,897

1/ Only 5% of 80% of the gross (4% of the gross) is shared.

2/ Excludes Red River Oil & Gas lands ($11,013 gross receipts, $4,130 accrued payments). Also excludes mineral lease receipts on LU land ($220,168 gross receipts, $55,042 accrued payments) reported for that part of the National Grasslands under control of Bureau of Land Management.

3/ Includes $138,515 used for range improvement.

Sources: Compiled from special and published reports of agencies, including Public Land Statistics, 1966, Bureau of Land Management; Annual Report of the Secretary of the Treasury, 1966; Report of the Chief of the Forest Service, 1966.

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by $373.7 million of gross receipts including Knutson-Vandenberg (K-V) collections and moneys deducted from timber purchasers for road construction to facilitate their timber operations in the national forests. These programs are not treated as sharing programs by the Forest Service. If they were, as has been advocated by some of the states, 25% of the collections and payments in 1966 would have amounted to $19.6 million in additional shared revenues for the states and counties. This is discussed fully in Alternative 7 of Part 5.

E. Non-Sect. 10 Lands

The largest number of non-Sect. 10 land related programs are ones which provide for payments in lieu of taxes on properties which are on acquired lands. Out of 17 active programs in 1966, only five were revenue sharing in nature and involved payments on the basis of percentages fixed by Congress. Three of these are extensive: flood control project payments in 1966 were made in 43 states, payments by the Department of Agriculture on national grasslands properties were made in 24 states, and Federal Power Commission leases were also in effect in 23 states. Payments from the grasslands and FPC leases totaled only $522,000 in 1966. Payments of relatively large magnitude, $2.4 million in 1966, were made on flood control and civil works projects by the Corps of Engineers. The Corps has jurisdiction over some 6.7 million acres, including nearly 0.9 million acres of public lands (which are Sect. 10 lands) that are contained in dams, reservoirs and emergency works, but it has not been feasible to segregate the payments according to the type of land. This program, however, is one for which the Congress set a high rate of 75% for sharing of revenues with the states.

As shown in Table No. A-6, RS from the former Oregon and California Railroad grant lands payments have increased by 113.8% from the $9.8 million paid in 1957 to the $21 million paid to the State of Oregon in 1966. The payments represent an increase on a per acre basis of from $3.83 to $8.18 over the 10 years. An even larger percentage increase has taken place on Coos Bay Wagon Road payments in lieu of taxes; the per acre payment rose from $0.83 in 1957 to $2.44 in 1966 but was higher in 1965 when the payment reached $3.00 per acre.

Payments by the Tennessee Valley Authority, which were made to eight states, amounted to $10.4 million or $14.35 per applicable acre in 1966 and totaled $70.4 million from 1957 through 1966. These payments, however, represented only the direct payments by TVA on its power sales. The payments are only a portion of revenues received by the states both directly and indirectly. The "indirect" payments are those made by the TVA's power distributors. The TVA experience is explored in detail in Appendix 2 of this report.

TABLE NO. A-6

ACCRUED PAYMENTS TO STATES UNDER REVENUE SHARING AND PILT PROGRAMS ON NONSECTION 10 LANDS BY PROGRAM, 1957-1966

(In Thousands of Dollars)

Agency and Program	1957 (1)	1958 (2)	1959 (3)	1960 (4)	1961 (5)	1962 (6)	1963 (7)	1964 (8)	1965 (9)	1966 (10)
Revenue Sharing Programs										
Department of Agriculture										
National Grasslands (USDA)	558.1	459.8	452.5	391.5	416.9	389.3	455.4	448.9	429.0	451.4
Department of the Interior										
O&C Railroad Grant Lands	9,805.7	11,635.5	14,761.9	16,258.6	14,454.7	15,400.1	15,031.3	21,136.0	20,037.9	20,965.3
State Selected Mineral Lands	0	0	0	0	0	0	8.3	14.0	19.5	15.2
National Grasslands (BLM)	0	0	107.9	97.4	86.3	92.3	130.8	111.8	114.8	114.8
Department of the Army										
OCE, Civil Projects (Flood Control)1/	1,530.8	1,472.0	1,454.3	1,492.2	1,611.8	1,613.8	1,718.8	1,702.7	1,959.3	2,421.5
Federal Power Commission	33.0	43.9	49.5	58.6	54.8	54.2	58.4	98.0	124.1	70.6
Payments in Lieu of Tax Programs										
Atomic Energy Commission	33.9	39.4	44.5	44.7	46.7	44.6	46.0	45.6	67.1	68.9
Department of the Interior										
Trinity River Basin Project	0	0.7	3.4	7.8	9.6	9.7	9.8	9.8	9.7	9.5
Columbia Basin Project	19.6	14.6	12.8	12.0	10.4	14.2	12.2	11.0	10.4	9.6
Grand Teton National Park	26.5	27.2	29.1	30.1	29.3	28.6	27.3	26.0	24.8	23.6
Coos Bay Wagon Road	60.0	67.0	87.6	72.6	82.4	90.0	705.6	188.9	223.6	182.2
General Services Administration										
Surplus Property (Former RFC)	772.0	516.2	471.1	457.4	340.6	264.7	622.8	576.6	579.9	585.4
Department of Defense										
Former RFC (Army)	382.7	174.2	NA	NA	463.8	332.6	347.7	441.7	471.6	469.3
Former RFC (Navy)	2,658.5	634.3	NA	NA	1,347.0	797.0	1,106.6	913.4	1,033.3	836.0
Former RFC (Air Force)	2,560.9	515.2	NA	NA	2,420.2	1,532.3	1,399.2	1,269.0	1,685.0	1,595.6
Tennessee Valley Authority	4,718.4	5,249.7	5,884.6	6,299.9	6,472.6	6,737.9	7,323.4	8,212.6	9,048.3	10,437.1
Department of Transportation										
St. Lawrence Seaway	10.7	12.2	13.0	11.0	7.0	7.3	7.6	7.3	7.1	6.7
Totals	23,170.8	20,861.9	23,372.2	25,233.8	27,854.1	27,408.6	29,011.2	35,213.3	35,845.4	38,262.7

1/ OCE-Flood Control program payments include payments on Section 10 lands which are not segregable.

Source: Compiled from special and published reports of agencies, including Public Land Statistics, 1957-66, Bureau of Land Management and Annual Report(s) of the Secretary of the Treasury, 1957-66

Errata: The 1960 figure for General Services Administration should be corrected to read 458.4 and the total for column 4 changed to read 25,234.8.

Former Reconstruction Finance Corporation (RFC) plants in surplus status or in the military industrial production reserve are still subject to in lieu tax payments under certain terms in the original RFC legislation which Congress has continued since the end of World War II. These industrial plants provided the states with $3.5 million in 1966, the third largest contribution from non-Sect. 10 property, although the in lieu payments have fallen off some 45% from the $6.4 million paid the local governments in 1957. Comparatively, the acreage involved is small in these facilities which the Department of Defense is retaining but the payments run on the average from $750 to about $1270 per acre, apparently the highest for any Federal property on which payments in lieu of taxes are made.

F. Related Programs

Three major public land related programs have been mentioned previously. The money received by the states under these programs is not considered as either revenue sharing or payments in lieu of taxes. They are the BPR Sliding Scale Highway Aid Program, the Forest Highway Program and the Public Land Highway Fund.[1/] The BPR Sliding Scale Program involved apportionments to 13 states[2/] amounting to $68.5 million in 1966, and was more than 40% greater than any single revenue sharing program. In Appendix 2 of this report the ramifications of the BPR Sliding Scale Program for ineligible states - because their Federal land areas do not total more than 5% of eligible lands, i.e. exclusive of national forest, parks and monuments - are fully explored.

Table No. A-7 shows the growth in each of the three programs between 1957 and 1966 and how the public land states and other states are affected. The BPR Sliding Scale Program has more than doubled over the past 10 years, and the Public Land Highway Fund has grown by a factor of 2.28 although it is the smallest program. The National Forest Highway Fund has grown by 47% compared with a 62% growth in sharing programs on Sect. 10 lands.

The 12 public land states in 1966 received payments which are proportionally larger than their share of the Federal lands in the United States. They were apportioned 94% of the three funds while Federal lands in the 12 states represented about 93.5% of all such lands. This, in and of itself, is not a major point. The fact is, however, that these programs are often ignored when evaluating the impacts of the revenue sharing and payment in lieu of tax programs upon the states and local governments; this will be considered in the final chapter of this part of the report.

1/ The BPR Sliding Scale Highway Aid Program and the Forest Highway Aid Program are described in Appendix 2, Part 1. The Public Land Highway Fund, PL 769, Ch. 912, provides for authorization to appropriate funds for survey, construction and maintenance of main roads through certain public lands; such appropriation can be made to states when a demonstrated need exists.

2/ The 12 public land states mentioned before in which Federal land represents more than 25% of the total area within the state and South Dakota.

TABLE NO. A-7

GROWTH IN APPORTIONMENTS TO STATES, 1957 TO 1966 UNDER THREE MAJOR PUBLIC LAND RELATED PROGRAMS

Program	1957 ($000) (1)	1966 ($000) (2)	% Change (3)
BPR Sliding Scale			
Public Land States[1]	32,399.0	67,300.0	107.7
South Dakota	1,280.0	1,200.0	-6.2
United States Total	33,679.0	68,500.0	103.4
National Forest Highway Fund			
Public Land States[1]	19,827.5	29,077.6	46.6
Other States	2,666.2	3,913.1	46.8
United States Total	22,493.7	32,990.7	46.7
Public Lands Highway Fund			
Public Land States[1]	2,200.9	5,005.0	127.4
Other States	799.1	1,845.0	130.9
United States Total	3,000.0	6,850.0	128.3
Three Programs Combined			
Public Land States[1]	54,427.4	101,382.6	86.3
Other States	4,745.3	6,958.1	46.6
United States Total	59,172.7	108,340.7	83.1

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[1] States in which Federally owned land represents more than 25 percent of the total area within the state.

Source: Federal Highway Administration.

G. "Earmarking" of Payments in Lieu of Taxes and Revenue Sharing

Virtually all the revenue sharing programs authorized by the Congress for Sect. 10 lands are subject to "earmarking" restrictions on the use of the Federal payments by the states and/or counties which receive them. The two exceptions are the Taylor Grazing - Section 3 and Section 15 programs upon which the Federal Government places no restrictions, and permits the state legislatures to prescribe how the funds shall be used. Payment in lieu of tax programs on real properties, as authorized by the Congress, have permitted unrestricted use of the funds by the recipient.

The 11 active programs[1/] on Sect. 10 lands in 1957 and 1966 included only two in lieu of tax programs; namely, those relating to the Superior National Forest in Minnesota and the Boulder Canyon Dam area in Arizona and New Mexico. Table No. A-8 shows total payments made by the Federal Government to the states and an allocation of these sums by the form of legislative earmarking in effect.

The total revenue sharing and payments in lieu of taxes made in connection with programs affecting Sect. 10 lands have increased in 10 years by 61.5% from $57.2 million in 1957 to $92.8 million in 1966. On the basis of "earmarking" requirements embodied in the legislation authorizing such payments, there have been no significant shifts in the sums available for use by recipients of the payments. Earmarked funds, however, can only be examined in very broad categories. It is not possible to determine in the aggregate, for example, how much of the payments under the National Forest Program was used by recipients for road construction or how much was used for schools. The following table shows for the United States and for all programs combined the relative effect of "earmarking" in channeling the use of funds received under RS & PILT programs on Sect. 10 lands:

Purpose for which Payments Earmarked	1957	1966	Percent Change in Dollar Amount of Payments 1957 to 1966
Schools	49.48	51.38	68.6
Roads and Schools	48.25	46.84	57.7
Roads, Schools & Other Improvements	0.35	0.26	22.0
Other Restrictions	0.16	0.00	-100.0
Sub Total	98.24	98.48	62.0
No Restrictions	1.76	1.52	40.7
Total	100.00	100.00	61.5

[1/] Payments accrued under 11 programs only, there being no payments made in these two years on three additional programs; see Table No. A-8 attached.

TABLE NO. A-8

"EARMARKING" OF REVENUE SHARING AND PAYMENTS IN LIEU OF TAXES - SECTION 10 LANDS, 1957 AND 1966

(In Thousands of Dollars and Percentages)

Year	Program	Total Accrued RS & PILT Payments (1)	Legislative "Earmarking" of Use of Payments: Schools (2)	Roads and Schools (3)	Roads, Schools & Other Improvements (4)	Other Restrictions (5)	No "Ear-Marking" by Federal Legislation (6)
1957	National Forests	26,975.3		26,975.3			
	Superior National Forest (BWCA)	48.0					48.0
	Arizona & New Mexico School Fund	105.5	105.5				
	Boulder Canyon	600.0					600.0
	Klamath Reclamation Project	0.0					0.0
	Migratory Bird Act	610.6		610.6			
	Alaska Game Licenses	91.2				91.2 1/	
	National Grasslands (BSF&W)	0.0		0.0			
	Mineral Leasing Act	28,156.1	28,156.1				
	Sale of Public Land & Materials	198.1			198.1		
	Taylor Grazing - Section 15	178.7					178.7 2/
	Taylor Grazing - Section 3	179.6					179.6
	Alaska School Lands	21.9	21.9				
	Pribilof Islands Fund	0.0				0.0	
	Total all Programs	57,165.0	28,283.5	27,585.9	198.1	91.2	1,006.3
	Percent of Total	100.00	49.48	48.25	0.35	0.16	1.76
1966	National Forests	41,940.8		41,940.8			
	Superior National Forest (BWCA)	144.8					144.8
	Arizona & New Mexico School Fund	102.9	102.9				
	Boulder Canyon	600.0					600.0
	Klamath Reclamation Project	73.5					73.5
	Migratory Bird Act	1,550.7		1,550.7			
	Alaska Game Licenses	0.0				0.0	

TABLE NO. A-8 (Continued)

"EARMARKING" OF REVENUE SHARING AND PAYMENTS IN LIEU OF TAXES - SECTION 10 LANDS, 1957 AND 1966

(In Thousands of Dollars and Percentages)

Year	Program	Total Accrued RS & PILT Payments (1)	Legislative "Earmarking" of Use of Payments: Schools (2)	Roads and Schools (3)	Roads, Schools & Other Improvements (4)	Other Restrictions (5)	No "Ear-Marking" by Federal Legislation (6)
1966	National Grasslands (BSF&W)	1.4		1.4			
(Con't)	Mineral Leasing Act	47,594.4	47,594.4				
	Sale of Public Land & Materials	241.8			241.8		
	Taylor Grazing - Section 15	277.0					277.0 2/
	Taylor Grazing - Section 3	320.6					320.6
	Alaska School Lands	0.0	0.0				
	Pribilof Islands Fund	0.0				0.0	
	Total all Programs	92,847.9	47,697.3	43,492.9	241.8	0.0	1,415.9
	Percent of Total	100.00	51.38	46.84	0.26	0.00	1.52

1/ Legislation [48 U.S.C. 199(k)] provided that proceeds might be expended through the Territorial School Fund.
2/ Very broad restriction to use for range improvement, schools or other governmental purposes.

Source: Special and published reports of agencies and pertinent U.S statutes.

More than one-half of the payments received by the states and/or counties is directly restricted to use for educational purposes. The payments came from two programs in 1966: $47.6 million under the Mineral Leasing Act(s) administered by the Bureau of Land Management and $0.1 million under the Arizona and New Mexico School Lands Fund administered by the Forest Service. In addition, probably one-third of all other earmarked payments may be going into schools at the local government level primarily from the national forests revenue sharing programs in accordance with the individual state allocation procedure. The states have considerable latitude in determining how much should go to counties for specific purposes. For example, 25% of national forest revenues received by Oregon are allocated to schools; 50% in California and 30% in Idaho.

Only 1.5%, a small fraction of Section 10 land programs payments in 1966, were shared without Federal restriction on their use by state and local governments. In contrast, most revenue sharing and payment in lieu of tax programs on non-Section 10 lands are made without Federal restriction on the use of the sums shared. Only two of the non-Section 10 land programs, however - the Corps of Engineers' flood control programs and the O&C grant lands - involve the payment of substantial earmarked sums. The flood control program payments are earmarked for schools and roads and part of the O&C payments are earmarked for access roads and other improvements serving the O&C lands.

The impact of earmarked funds at the state or local level is much less than the impression which might be gained from the magnitude of national totals. In 1966, 98% of the payments originating from Section 10 lands were earmarked for roads and schools. On a national basis, the $90.2 million of payments so earmarked represented only 0.2% of state and local government expenditures of almost $46 billion for highways and education. In a Federal land intense state like Nevada where 87% of the land is Federally owned and nearly all of that is Section 10 land, $0.5 million in shared payments were received, yet these accounted for only 0.3% of the $162.5 million spent in the state on roads and education facilities. In a cross-section of 50 Federal land intense counties, the payments on the average represented less than 2.0% of the total sums expended for roads and schools.

States and local governments object to earmarking of shared revenues; the states are opposed because they aver that it reduces their ability to exercise complete fiscal control of funds and to develop good fiscal management procedures. The counties, who are mostly the final recipients of the Federal payments, assert that (1) earmarking tends to reduce grants of state funds for similar purposes, and (2) the exercise of judgment by county officials is restrained by the restrictions placed on the use of the funds. In actuality, because of the relatively small share of total county or state expenditures which the earmarked funds are, earmarking may not be as significant a hindrance to the exercise of good fiscal management as has been claimed. On the other hand, there is little reason to believe that the earmarking of shared revenues has improved either the extent or quality of services. Invariably, the payments at the local levels represent a small fraction of the local budgets for roads, schools and other purposes for which the payments are earmarked by Federal legislation. In this respect, the system of earmarking does not effectively fulfill the intent of the Congress which is assumed to be that the counties should have funds which permit them to provide quality services in the designated earmarked categories.

The Federal revenue sharing payments are essentially in lieu of property taxes foregone by state and local governments because of the immunity of Federal lands from taxation. As such it could be argued that these payments should not be designated for specific uses any more than property taxes are and would be if they were collected by state and local governments. Moreover, study of a cross-section of Federal land intense counties has shown that the designation of Federal payments for specific purposes has no positive effect. In some cases, it has the negative effect of reducing otherwise available grants for education and/or road building by the earmarked amounts received from revenue sharing or in lieu tax payments. There clearly is no intent for the in lieu property tax payments to take the place of grants for education or highways or to affect their level.

In conclusion, while the statistics indicate that because earmarked funds on the average bear such a small proportion to the total expended in the earmarked categories, it has not been found that earmarking provisions contribute in any manner to improved quality or quantity of public services. If anything, they are a thorn to state and local government officials and can have the effect of reducing otherwise available grants for the earmarked categories.

III. The Value of Federal Lands and the Resulting Property Tax Loss

A. Introduction

There is no uniform system throughout the country for classifying privately owned lands. There is also no uniform system for classifying the Federal lands. Moreover, until a decade ago there was no definitive effort to determine the present day value of the public lands. As of today, only the original acquisition costs of the acquired lands are kept on the government books. This means that the nation's largest landholder probably knows less about the value of its realty than local governments know about privately held property within their boundaries.

Nevertheless, whereas only 12 years ago only the crudest estimates could be made on the value of the lands owned by the government, reasonable gross estimates can now be constructed. This makes it possible to focus more sharply on the fiscal and related problems attendant to Federal land ownership. There still exists a great data gap in property classification and some questions relative to the most effective utilization of Federal lands are still not resolvable on the basis of available data.

Basic issues arise from the immunity of the Federal lands from taxation. Land taxes are the principal source of revenue in thousands of local governmental jurisdictions. In the 12 public land states, 63% of total area and 97% of all Sect. 10 lands have never been on the local tax rolls. Because of this and because these lands have never been appraised, except for some isolated efforts by the various land management agencies, primarily the Forest Service, there previously has been no realistic measure of what loss the states and local governments have experienced. There has been no yardstick against which to judge the adequacy - or inadequacy - of sharing and in lieu of tax payments which state and local government receive as compared with the potential property tax yields if the lands were not immune to such taxation.

It is only fair to point out that among the taxing instrumentalities within a county and from state to state there exists a wide disparity of effective tax rates for similar types of real property. The property taxes are customarily levied on the basis of assessed valuations which purportedly represent some percentage of the current fair market value. To compare the tax rates among different localities, tax equalization studies have generally focused on the true value comparison which, in fact, places the taxes on a present value rather than an assessed value.

Based on studies which have been instigated by the House Committee on Government Operations, reasonably valid estimates of the present value of Federal land can be made. These values pertain to the land surface areas, including the timber, forage and similar commercial resources on the land. They do not include the mineral resources which are largely unknown nor the structures such as military and defense plants which have been erected on the lands. As such, the present day value is a conservative estimate based on land values as determined largely by field representatives employed in real property field offices of the departments administering the lands.

The method for developing the present day values is fully described in Part 4 of this report, specifically Alternative No. 1, which deals with various alternatives to the current system of revenue sharing.

B. What the Lands Are Worth

The total estimated market value of private and Federal lands in the United States is succintly shown in the following table:

TABLE NO. A-9

ESTIMATED MARKET VALUE OF PRIVATE AND FEDERAL LANDS IN THE UNITED STATES, 1966

(In Millions of Dollars)

Ownership	12 Public Land States	Other 38 States	United States
Private	353,122	1,328,104	1,681,226
Federal Total	15,287	3,588	18,875
Section 10 Land	12,588	426	13,014
Non-Section 10	2,699	3,162	5,861

Source: Tables ALT-1c, ALT-1e, Part 4.

The privately owned lands in the United States (excluding utility property) had a market value in 1966 estimated at $1,681,226 million for 1,319 million acres. The total Federal lands in the United States represent 58% of the area of the private ownership but the value of the Federal lands is only 1.1% of the value of the private lands. Put differently, the private lands in the United States have a value almost 100 times that of the Federal lands. The disparity, however, is not as great in the less densely populated and less industrialized public land states where the value of private lands is only 23 times the value of the Federal lands.

As of June 30, 1966, all the Federal lands - some 764.8 million acres - had an estimated market value of $18,875 million. The public domain of 710.8 million acres, 93% of all Federal land, was worth $14,452 million or 76.6% of the total market value of all Federal lands. The remaining lands, most of which have been acquired by purchase, condemnation or exchange though some donated lands are included, had a value of $4,423 million.

Non-Sect. 10 lands, which are acquired lands, have a total market value of $5,861 million of which 45% represent the value of Federal lands in the 12 public land states.

Sect. 10 lands have a total value of $13,014 million for the 734.4 million acres of public domain and acquired lands in the 50 states excluding the District of Columbia. The distribution of these lands and values are shown in Table No. A-10 which follows:

TABLE NO. A-10

ESTIMATED MARKET VALUE OF SECTION 10 LANDS, BY DEPARTMENT, 1966

Administering Department	No. of Acres (Millions)	Estimated Value ($ Millions)	Value Per Acre ($)
Interior	532.4	6,037.8	11.34
Agriculture	183.1	6,745.4	36.83
Defense (Military)	16.5	179.3	10.85
Defense (OCE)	0.9	13.0	14.96
Atomic Energy Commission	1.4	22.7	15.83
Sub Total	734.3	12,998.2	17.70
Other Agencies	0.1	16.1	141.60
Total[1/]	734.4	13,014.3	17.72

1/ Excluding District of Columbia.

The figures shown for the Department of the Interior in the above table include 3.2 million acres of acquired land which are part of the migratory bird and wildlife refuges and which have an average value of $21.01 per acre. The only other acquired Sect. 10 lands are 22.6 million acres in the Department of Agriculture which are part of the national forests and which have a value of $7.62 per acre.

The lands under the control of the Department of Agriculture reflect a high value of $36.83 per acre because of the timber on the lands, particularly in Oregon where some 492,399 acres of former O&C Railroad grant lands are being administered by the Secretary of Agriculture as part of the national forests. The highest per acre figure on the table, $141.60, applies to the lands held by 11 different agencies, principally the Department of Commerce, Veterans Administration, Department of Justice and Federal Aviation Agency. It reflects the fact that numerous small sites are involved, many of which are in more urbanized areas than the large tracts held by the major landholding agencies.

The public domain lands are principally within the 12 public land states where 703.3 million acres have an estimated value of $12.5 billion. The average value is $17.81 per acre. On the other hand, only some 11.6%, or 3.0 million acres of acquired lands with total market value of $60.4 million, or $20 per acre, are located in those states.

C. The Potential Revenue if Subject to State and Local Taxation

The fact is that in the 12 public land states most of the Federal land is public domain which has never been on the tax rolls.

Alternative No. 1 in Part 4 of this report develops in detail what the potential tax revenues from Sect. 10 lands might be if they were taxed as though privately owned. Based upon the effective rate of taxation in 1966 on private property, as developed in Table No. ALT-1e in Part 4, certain broad relationships can be observed as follows:

TABLE NO. A-11

ESTIMATED POTENTIAL TAX REVENUE IN 1966
HAD SECTION 10 LANDS BEEN TAXED AS THOUGH PRIVATELY OWNED

	No. Acres (Millions)	Potential Tax Revenue Total ($000)	Potential Tax Revenue Per Acre (cents)
12 Public Land States	706.2	184,610	26
Other 38 States	28.2	4,845	17
Total	734.4	189,495	26

Source: Table No. ALT-1e, Part 4.

During the conduct of this project's intensive inquiry in 50 selected public land intense counties, information on acreage and assessed value was secured by various public land categories. From these data, the estimated potential tax revenue per acre was also calculated. For the group of 50 counties, the average was 44 cents. Based on the estimating technique described in full in Alternative No. 1, Part 5 of this report, an average of 45 cents per acre results. That latter technique, which employs average state tax rates as opposed to specific rates in each county, has resulted in average of 26 cents per acre for all Section 10 lands, as shown in the preceding Table No. A-11. It should be noted that the two estimates for the 50 selected case counties have resulted in almost identical figures, thereby corroborating their validity for the case counties and the national estimate.

Earlier studies have been based on less reliable information on the extent of Federal holdings. One incorporated in a message from the President of the United States[1] estimated that in 1937 the Federal landholdings and improvements thereon had an assessable valuation of $3.3 billion, or approximately

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[1] House Document No. 111, 76th Congress, 1st Sess.

2.9% of the assessed valuation of all private property being taxed. On the basis of current government asset records, usually on an acquisition cost basis, the value of land in 1966 represented 7% of the cost of land and improvements.[1] Since many of the buildings and other structural improvements were acquired since 1937, it might be estimated that the 1937 assessable valuation estimate might be 15% for land and the balance for improvements. This would mean that the 1937 estimate of 2.9% might have been equivalent to estimating that the value of public lands amounted to about 0.45% of the value of private lands. This would compare with 1.1% implicit in the present estimates and would reflect the substantial appreciation in Federal land values.

Later, the Council of State Governments estimated on the basis of the previously mentioned study that the tax loss to states and local governments might have been as much as $125 million in 1949. There have been numerous other estimates ranging widely to levels in excess of $300 million a year - which in terms of land value alone are excessively high and based on very general considerations rather than a systematic approach.

The estimated market values and potential tax revenues, as developed in this study, indicate that the states and localities are receiving from PILT and RS less than half of what they would get under their present tax rates. Since the PILT & RS payments on Sect. 10 lands in 1966 amounted to $92.8 million and the potential tax as developed in Table No. ALT. 1e (Part 5) was $189.5 million, the maximum estimated tax loss would have been some $96.7 million.

IV. Capability of State and Local Governments to Cope with Increasing Financial Needs

A. Introduction

The operation of state and local governments reflect a cost-benefit relationship. For the benefits the population wants in terms of public services, such as schools, highways and others, there are related costs which necessitate taxes of many kinds and charges for the use of public services and facilities. During the 10-year period from 1957 to 1966 the costs for providing public services by all states and local governments increased by 104%, while their revenues, from all sources, increased by 116.5%. The states and their local instrumentalities are receiving more from the Federal Government each year in the form of grants and other assistance for an increasing variety of public programs. The movement of supplementary funds from Federal sources to state-local beneficiaries has increased from about $3.8 billion in 1957 to over $13.1 billion in 1966, a rate of increase exceeding 241%. Reflecting the population growth during that 10-year period, the per capita increase of Federal grants to state-local governments was still over 198% ($22.55 per capita in 1957 and $67.24 in 1966). During the same period, non-Federal assistance to local governments are estimated to have increased by about 26% or about 11% per capita ($21.69 versus $23.82). State-local governments' own sources of revenue have gone from $34.3 billion to $69.6 billion during that 10-year period, reflecting a 103% increase; per capita they rose from $201.38 to $356.77, an increase of 77%.[1]

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[1] Federal Real and Personal Property Inventory Report, June 30, 1966, House Government Operations.

Under pressures from a growing population with rising incomes in an expanding economy, new challenges have to be met by state-local governments. Greater revenues are sought through new kinds of taxes, increased service charges and greater demands for state or Federal funds to mitigate the impact of increasing local taxes. In the public land intense states, revenue sharing payments represent one such supplement to meet local costs, even though for many localities the payments are only a pittance in relation to the needs.

B. Factors Affecting Financial Capability

The demand for government services is accentuated by the same factors which create demand for industrial goods and services. These are, simply: population, its rate of growth and density, its composition and location; and its income and distribution among the people. When population is growing fast and more persons are occupying the same land area, the needs for new and improved services develop. At first, costs per capita might decline as population density increases, but from year to year this is less likely in more places and expenditures will tend to become greater. This lays new stress upon the current revenue producing sources. Community attitudes and requirements change with changes in the composition of the population - a younger population favors better residential facilities and services, and amenities such as recreational opportunity. The aging population seeks expanded health and welfare services. As income and educational levels rise, people want more for what they spend, become more willing to spend on new and expanded services - but, in the aggregate, continue to oppose the reckless imposition of new taxes or increasing the level of old ones.

Essentially, per capita expenditures by government tend to be an increasing function of the rate of population growth. The faster the population increases, the faster demand rises for more buildings, more services - and at higher costs. This is most apparent whenever the needs are for new physical facilities such as roads, schools, hospitals, sewer lines and the like. Large capital expenditure programs, particularly for educational facilities and major community improvements, are financed by borrowing, not all of which requires financing by current and prospective tax revenues. However, in undertaking to meet these expanding needs, state-local governments for some years now have had to pay more each year for what they buy because excessive demand throughout the economy has created inflated price levels and high interest rates.

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[1] Calculations derived from Table No. D-1 in data bank which rely upon data in U. S. Bureau of the Census, Census of Government 1957 and Governmental Finances, 1965-1966.

Many people hold the belief that the states and local governments are now in poor financial condition, and that this will become worse in the future. A recent study[1] by the Tax Foundation, a private nonprofit organization, asserts that this conclusion is not necessarily applicable to all states or the statistical average. The study projects that state-local general revenues will exceed general expenditures by about $5 billion in 1975, and that total debt incurred for capital investment will rise to $169 billion in 1975 from $100 billion in 1965. In addition to assumptions on price levels, population and economic growth, the forecast involved certain policy assumptions. These were that (1) tax rates will remain flexible, rising or falling in the different localities as spending plans change; (2) taxing officials will keep property taxes and user charges commensurate with rising market values, and (3) that Federal grant-in-aid programs will be implemented to higher levels. Of course, with these policy assumptions, specifically those relating to a 69% increase in debt and flexible tax rates, it is possible to project positive flows of funds. What has not been said, though, is what the per capita burden will be like to attain such positive cash flows.

The Foundation study, however, treated the issues and evaluated the statistics for the nation as a whole, a macroeconomic approach which admitted only that some instrumentalities might have been experiencing financial difficulties and in the future may also have greater problems than other areas of the nation.

C. Revenue Flows in Public Land Intense States

Because the property base for taxation is so much smaller in the 12 public land states, it is important to see how they have met the pressures to provide more and more public services. Table No. A-12, based on official government records in the data bank created in the course of this study for the Commission, summarizes information on the 10-year change in state-local revenues, for the public land states in comparison with the rest of the United States.

The population of the 12 states has increased 1.8 times as fast as in the United States as a whole although aggregate personal income has increased at only a slightly faster rate than for the nation. Per capita income during the 10-year period grew about 45% in the public land states and in the rest of the United States. As a unit, the population of the 12 states has grown faster than population in the remaining 38 states although per capita personal income increased somewhat less than in the 38 states. In the five case study states (California, Colorado, Minnesota, New Hampshire and Washington) approximately the same relationship is also obtained. This is the case though the group contains three public land states where more than 25% of their area is Federal land and two states where the Federal lands represent 6.5 and 5.1% respectively.

The total revenue collected by the public land states, from all sources including Federal grants-in-aid grew at an average annual rate of 9.1% compared with 7.8% in the other 38 states. In relation to personal income, the public land states revenues grew at a 3% rate while the rate was only 2.6% in the rest of the country. Because of the greater population growth over the 10 years, however, the per capita revenues collected grew at about the same rate, 6.6% annually, as for the entire 50 states.

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[1] Fiscal Outlook for State and Local Government to 1975, Tax Foundation, Inc., 1966.

TABLE NO. A-12

CHANGE IN REVENUES OF STATE AND LOCAL GOVERNMENTS, BY MAJOR SOURCES, 1957 to 1966
AND IN RELATION TO POPULATION AND PERSONAL INCOME

Item	All States			Public Land States (12)			Other States (38)			Case States (5)		
	1957	1966	% Change	1957	1966	% Change	1957	1966	% Change	1957	1966	% Change
Population (000)	170,426	195,131	14.5	25,276	31,797	25.8	145,150	163,334	12.5	22,498	28,047	24.7
Personal Income ($000)	348,052,000	577,302,000	65.9	57,398,000	102,041,000	77.8	290,654,000	475,261,000	63.5	52,011,000	92,773,000	78.4
Revenues ($000,000)												
General - All Sources	38,161.2	82,627.3	116.5	7,310.1	17,491.9	139.3	30,851.1	65,135.4	111.1	6,471.5	15,389.6	137.8
Total Tax Receipts	28,804.8	56,489.6	96.1	5,415.1	11,494.4	116.3	23,490.7	44,995.2	91.5	4,826.7	10,487.2	117.3
Property Taxes	12,833.9	24,581.7	91.5	2,381.9	5,381.3	125.9	10,452.0	19,200.4	83.7	2,240.8	5,066.4	126.1
Per Capita Revenues ($)												
General - All Sources	223.92	423.45	89.1	289.21	550.11	90.2	212.55	398.79	87.6	287.65	548.71	90.8
Total Tax Receipts	169.02	289.50	71.3	210.24	361.49	71.9	161.84	275.48	70.2	214.54	373.92	74.3
Property Taxes	75.30	125.98	67.3	94.23	169.24	79.6	72.01	117.55	63.2	99.60	180.64	81.4
Per $100 Personal Income ($)												
General - All Sources	10.96	14.31	30.6	12.74	17.14	34.5	10.61	13.71	29.2	12.44	16.59	33.4
Total Tax Receipts	8.28	9.79	18.2	9.26	11.26	21.6	8.08	9.47	17.2	9.28	11.30	21.8
Property Taxes	3.69	4.26	15.4	4.15	5.27	27.0	3.60	4.04	12.2	4.31	5.46	26.7

Source: Based on Compendium of Government Finances, 1957 Census of Governments and Governmental Finances in 1965-66, U.S. Bureau of the Census.

Apparently, by 1966, the Federal land intense states were maintaining total revenue flows more effectively than many other states but at the cost of higher per capita taxes and by taking a larger bite from personal income. The total general revenues per capita in 1966 were 90% greater than in 1957. The percentage increase in total revenues in the four most heavily populated states were: California 87%, Washington 93%, Oregon 75% and Colorado 93%.

At the local government level, taxation of property or wealth is specially important while taxation of expenditures is important at state levels. Property taxes are probably more inequitable than the state taxes and certainly less elastic. Being less elastic, the property taxes have to be changed frequently either by adjusting property value assessments or by increasing the tax rates. It is clear from Table No. A-12 that per capita property taxes in the public land states have been increased more rapidly (79.6%) than in the nation as a whole (67.3%). At the same time, the increased property taxes in the public land states carry proportionately more of the total tax load than is the case in the other states, 46.8% compared with 42.7%. This is so despite the fact that the load is carried by fewer acres of privately owned lands than is the case elsewhere.

Table No. A-13 focuses upon the revenues of the local government and shows in matching detail the comparative items of Table No. A-12. The population and personal income statistics remain unchanged but the relationships on a per capita basis show significant differences in the revenues received by the local instrumentalities as compared with those of the states. Considering first, the total general revenues from all sources, which at the local level includes a share of Federal and other intergovernmental transfers, the public land states' local revenues represented 67.5% in 1959 and fell off to 65.9% in 1966. The experience in other states represented a falling off from 66% to 63.3%; this means that the local governments generally have become more dependent upon Federal and state governments to provide revenue assistance.

In view of the increased flow of revenue supplementing funds from higher levels of government, it is to be expected that local property taxes might have become a smaller factor in state-local revenues. This seems to be so inasmuch as the proportion dropped by 1.3 percentage points (from 30.1% to 28.8%) in the public land states between 1957 and 1966. In the other 38 states, however, there was a much steeper change of 4.2 percentage points, a drop in the proportion from 32.9% to 28.7%. This occurred while property taxes over the 10-year period increased some 82.4% in the public land states while they increased by only 63.7% elsewhere.

The average person in the Federal land intense states in 1957 paid $1.24 for each dollar in property tax paid by the average person in the other 38 states. In 1966, the taxpayer in the public land states paid $1.39 per dollar of property tax paid by the average taxpayer elsewhere.

D. Revenue Sharing as a Source of Revenues

The contribution to state and local revenues which the Federal government makes through revenue sharing and in lieu of tax payments on the Federal lands

TABLE NO. A-13

CHANGE IN REVENUES OF LOCAL GOVERNMENTS, BY MAJOR SOURCE, 1957 TO 1966 AND IN RELATION TO POPULATION AND PERSONAL INCOME

Item	All States			Public Land States (12)			Other States (38)			Case States (5)		
	1957	1966	% Change	1957	1966	% Change	1957	1966	% Change	1957	1966	% Change
Revenues ($000,000)												
General - All Sources	25,288.3	52,763.7	108.6	4,931.2	11,526.8	133.8	20,357.1	41,236.9	101.6	4,583.8	10,641.8	132.2
General - Own Sources	17,753.0	35,105.5	97.7	3,194.6	7,378.2	131.0	14,558.4	27,727.3	90.5	2,978.1	6,877.8	131.0
Total Tax Receipts	14,174.7	27,110.0	91.3	2,500.8	5,686.4	127.4	11,673.9	21,423.6	83.5	2,355.5	5,350.7	127.2
Property Taxes	12,354.8	23,748.2	92.2	2,199.7	5,046.3	129.4	10,155.1	18,701.9	84.2	2,081.2	4,788.6	130.1
Per Capita Revenues ($)												
General - All Sources	148.38	270.40	82.2	195.09	362.51	85.8	140.25	252.47	80.0	203.74	379.43	86.2
General - Own Sources	104.17	179.91	72.7	126.39	232.04	83.6	100.30	169.76	69.2	132.37	245.22	85.2
Total Tax Receipts	83.17	138.93	67.0	98.94	178.83	80.8	80.43	131.16	63.1	104.70	190.78	82.2
Property Taxes	72.49	121.70	67.9	87.03	158.70	82.4	69.96	114.50	63.7	92.50	170.74	84.6
Per $100 Personal Income ($)												
General - All Sources	7.27	9.14	25.7	8.59	11.30	31.6	7.00	8.68	24.0	8.81	11.47	30.2
General - Own Sources	5.10	6.08	19.2	5.57	7.23	29.8	5.01	5.83	16.4	5.73	7.41	29.3
Total Tax Receipts	4.07	4.70	15.5	4.36	5.57	27.8	4.02	4.51	12.2	4.53	5.77	27.4
Property Taxes	3.55	4.11	15.8	3.83	4.95	29.2	3.49	3.94	12.9	4.00	5.16	29.0

Source: Based on Compendium of Government Finances, 1957 Census of Governments and Governmental Finances in 1965-66, U.S. Bureau of the Census.

is in the aggregate almost negligible. For a few counties, however, the payments represent a significant contribution, as much as $4.8 million at the highest among 50 case counties studied, Lane Oregon, which represented about $2 per acre in 1966. The average contribution from PILT and RS was about $0.25 million per county with 40 out of the 50 counties receiving smaller than average payments

In relation to the state-local property taxes collected, Federal revenue sharing payments on Sect. 10 land in 1966 were proportionately a lesser contribution than 10 years before. Table No. A-14 shows that payments declined by 16% when measured against property taxes.

TABLE NO. A-14

STATE-LOCAL PROPERTY TAXES AND SECTION 10 LAND PILT & RS PAYMENTS

	12 Public Land States	Other 38 States	Total
Property Taxes			
1957 ($ Million)	2,381,872	10,452,030	12,833,902
1966 ($ Million)	5,381,300	19,200,400	24,581,700
% Change	125.9%	83.7%	91.5%
PILT & RS Payments Section 10 Lands			
1957 ($ Million)	54,715	5,540	57,255
1966 ($ Million)	84,581	8,267	92,848
% Change	63.6%	49.2%	62.2%
Payments as % Taxes			
1957	2.17%	0.05%	0.45%
1966	1.57%	0.04%	0.38%
% Change	(27.60%)	(14.00%)	(16.30%)

The greatest relative decline in the ratio of payments to taxes occurred in the public land states where it would seem that maximum assistance through revenue sharing would be needed. In those states the effectiveness of the payments as a supplement to revenues was reduced by 27.6% over the 10-year period. The proportion of payments to the property taxes dropped from 2.2% in 1957 to 1.6% in 1966. In relation to total revenues, of course, payments contributed even less to the state-local government needs.

It is apparent that proceeds from mineral leasing, grazing and other activities on the Federal lands are not being developed systematically to rise proportionately with increasing revenue needs. It does not seem practicable to expect properties managed by a number of different agencies to develop gross receipts from timber sales, grazing leases and mineral permits to keep pace with the growing socioeconomic and demographic factors such as personal income and population. Revenue sharing payments normally can increase from year to year only as a consequence of greater utilization of the public lands and their products, and with adjustments in the charges commensurate with changes in price in the consumer markets.

From the record of the past 10 years, state and local government revenue needs more than doubled between 1957 and 1966 while RS and PILT payments increased by only 62%. The current system of payments has not produced and is unlikely to produce revenue compatible with the growth of population and community needs.

E. The Expenditures - Where State-Local Government Funds Go

When state and local government revenues are viewed as the costs to the people within state-local areas, the expenditures represent the benefits -- what the people are getting for the money they spend. This is not to say that the goods and services bought by the population are all that they want or desire. Rather, the expenditures reflect the purchase of goods and services to the extent that funding from own and intergovernmental resources augmented by debt was available. In deciding what the funds should be used for, the traditional emphasis has been on community facilities -- the schools, roads, sewer and water lines and plants, fire and police protection and the like. Increasingly over the past four decades, health, medical and social welfare programs have been expanding and in these areas the Federal Government has supplemented state-local efforts.

The states, the counties, the municipalities and other local instrumentalities are geographically definable, but they are not closed off societies. Each to some extent shares in the physical facilities and services in adjacent areas. Similarly, school buildings, hospitals, the road system and many other services paid for by any particular governmental unit may be shared in use by others. This phenomenon represents what is often called the externalities or "spillover" effect. Such externalities occur whenever the goods and services provided (or not provided) by one local government develops positive or negative incremental benefits to another government. For example, a general hospital built in one county can and does provide facilities for the care of patients from neighboring counties without equivalent facilities. Although in many instances such externalities can be identified, no one has yet measured quantitatively how extensive the problem is. Its existence as an economic fact is a major reason for intergovernmental aid from Federal sources, from state sources and in some cases between lower levels of government.

F. Magnitude of State and Local Combined Expenditures

Fiscal prudence dictates that over a period of years, if not from year to year, the current expenditures of state and local governments should be in balance with the flow of current revenues, regardless of whether the revenues are from taxes or other sources. Table No. A-15 shows the total of state-local spending in 1957 and 1966, the major expenditure categories and the change in level of the spending over the 10-year period. In 1957, expenditures in all the 50 states (excluding the District of Columbia) were $40.4 billion compared with estimated revenues of $38.2 billion in that year. In 1966, the expenditures totaled $82.4 billion while revenues aggregated $82.6 billion. In the public land states the expenditure-revenue relationship was closer: in 1957 expenses of $7.5 billion versus $7.3 billion of revenues; in 1966 expenses of $17.7 billion versus $17.5 billion of revenues. This "more balanced" situation should not be interpreted as meaning that these 12 states' revenues were more adequate. What it does mean is that sacrifices in quantity and quality of available services have been made though both on a per capita and personal income basis the absolute expenditures in the public land states were higher. In 1966, per capita cost of education in public land states was $220,53 as compared with $160.27 in the other states; per $100 of personal income in the public land states, $6.87 were needed to support that level of expenditure while $5.51 sufficed in the other states. A phenomenon not readily discernible from the figures cited is the relatively higher cost per unit of service in the public land states. This matter is discussed further in section (H) of this chapter.

Total expenditures by all states, as compiled by the Bureau of the Census, increased 104% from 1957 to 1966, growing at an annual rate of 7.4% per year. In the 12 public land states, however, the annual increase was at a rate of 8.9%, and 1966 spending was 135.3% greater than in 1957. This was also reflected in higher per capita expenditures by the public land states than elsewhere. Of course, their populations also increased more rapidly during the 10 years. Per capita expenditures increased at a rate of 6.5% per year. At the same time, however, the rate of growth in per capita expenditures for the other 38 states was 5.8%, significantly lower than in the areas where Federal lands predominate.

Expenditures for education, highways, public welfare, health and hospitals involve, in that order for the United States as a whole, the major categories of spending. As a group, these four categories during the decade accounted for slightly more than 70% of all state-local expenditures. Surprisingly, there has been virtually no change in the percentage of total funds allocated to these four categories. In 1957, the dollar amounts shown in Table No. A-15 accounted for 70.78% of the total; in 1966, the corresponding figure was 70.96%.

From analysis of data underlying the composite state-local expenditure totals, the indications are that in state expenditures for these major categories the spending dropped from a level of 77.9% to 76.5%. Over the 10 years, however, the level of expenditures for these major categories by local governments, which are responsible for most of the spending, changed more perceptibly, increasing from 67.02% in 1957 to 67.95% in 1966.

G. Extent of Local Government Spending

Out of $82.4 billion spent in 1966 by all states and local governments, the local governments spent $53.2 billion or approximately 65%. This proportion was derived by comparing Table No. A-16 which shows data comparative with Table No. A-15 but for the local governments only.

TABLE NO. A-15

CHANGE IN EXPENDITURES OF STATE AND LOCAL GOVERNMENTS, BY MAJOR CATEGORY, 1957 TO 1966 AND IN RELATION TO POPULATION AND PERSONAL INCOME

Item	All States			Public Land States (12)			Other States (38)			Case States (5)		
	1957	1966	% Change	1957	1966	% Change	1957	1966	% Change	1957	1966	% Change
Expenditures ($000,000)												
Total	40,410.2	82,424.3	104.0	7,514.4	17,683.5	135.3	32,895.8	64,740.8	96.8	6,738.3	15,468.9	129.6
Education	14,170.7	33,189.6	134.2	2,814.0	7,012.2	149.2	11,356.7	26,177.4	130.5	2,499.0	6,026.6	141.2
Highways	7,831.5	12.728.3	62.5	1,292.1	2,600.7	101.3	6,539.4	10,127.6	54.9	1,118.8	2,066.8	84.7
Public Welfare	3,404.7	6,722.5	97.4	694.1	1,576.5	127.1	2,710.6	5,146.0	89.8	655.3	1,511.7	130.7
Health & Hospitals	3,190.9	5,845.7	83.2	529.0	987.9	86.8	2,661.9	4,857.8	82.5	512.4	924.9	80.5
Per Capita Expenditures ($)												
Total	237.11	422.40	78.1	297.29	556.14	87.1	226.63	396.37	74.9	299.51	551.54	84.2
Education	83.15	170.09	104.6	111.33	220.53	98.1	78.24	160.27	104.8	111.07	214.88	93.5
Highways	45.95	65.23	42.0	51.12	81.79	60.0	45.05	62.01	37.6	49.73	73.69	48.2
Public Welfare	19.98	34.45	72.4	27.46	49.58	80.6	18.67	31.51	68.8	29.12	53.90	85.1
Health & Hospitals	18.72	29.96	60.0	20.93	31.07	48.4	18.34	29.74	62.2	22.78	32.98	44.8
Per $100 Personal Income												
Total	11.61	14.28	23.0	13.09	17.33	32.4	11.32	13.62	20.3	12.96	16.67	28.6
Education	4.07	5.75	41.3	4.90	6.87	40.2	3.91	5.51	40.9	4.80	6.50	35.4
Highways	2.25	2.20	97.8	2.25	2.55	13.3	2.25	2.13	-5.3	2.15	2.23	3.7
Public Welfare	0.98	1.16	18.4	1.21	1.54	27.3	0.93	1.08	16.1	1.26	1.63	29.4
Health & Hospitals	0.92	1.01	9.8	0.92	0.97	5.4	0.92	1.02	10.9	0.98	1.00	2.0

Source: Based on Compendium of Government Finances, 1957 Census of Governments, and Governmental Finances in 1965-66, U.S. Bureau of the Census.

TABLE NO. A-16

CHANGE IN EXPENDITURES OF LOCAL GOVERNMENTS, BY MAJOR CATEGORY, 1957 TO 1966 AND IN RELATION TO POPULATION AND PERSONAL INCOME

Item	All States			Public Land States (12)			Other States (38)			Case States (5)		
	1957	1966	% Change	1957	1966	% Change	1957	1966	% Change	1957	1966	% Change
Expenditures ($000,000)												
Total	26,505.5	53,261.8	101.0	5,042.0	11,532.6	128.7	21,463.5	41,729.2	94.4	4,724.8	10,635.8	125.1
Education	11,653.4	25,617.7	119.8	2,249.5	5,412.3	140.6	9,403.9	20,205.4	114.9	2,013.6	4,762.5	136.5
Highways	2,938.0	4,104.2	39.7	434.5	780.0	79.5	2,503.5	3,324.2	32.8	408.2	734.1	79.8
Public Welfare	1,648.0	3,583.9	117.5	489.9	1,212.3	147.5	1,158.1	2,371.6	104.8	555.0	1,337.6	141.0
Health & Hospitals	1,525.3	2,879.7	88.8	296.8	562.4	89.5	1,228.5	2,317.3	88.6	293.8	519.7	76.9
Per Capita Expenditures ($)												
Total	155.52	272.95	75.5	199.48	362.69	81.8	147.87	255.48	72.8	210.01	379.21	80.6
Education	68.38	131.28	92.0	89.00	170.21	91.2	64.79	123.71	90.9	89.50	169.80	89.7
Highways	17.24	21.03	22.0	17.19	24.53	42.7	17.25	20.35	18.0	18.15	26.17	44.2
Public Welfare	9.67	18.37	90.0	19.38	38.13	96.8	7.98	14.52	82.0	24.67	47.69	93.3
Health & Hospitals	8.95	14.76	64.9	11.74	17.69	50.7	8.46	14.19	67.7	13.06	18.53	41.9
Per $100 Personal Income ($)												
Total	7.62	9.23	21.1	8.78	11.30	28.7	7.38	8.78	19.0	9.08	11.46	26.2
Education	3.35	4.44	32.5	3.92	5.30	35.2	3.24	4.25	31.2	3.87	5.13	32.6
Highways	0.84	0.71	-15.5	0.76	0.76	0.0	0.86	0.70	-18.6	0.78	0.79	1.3
Public Welfare	0.47	0.62	31.9	0.85	1.19	40.0	0.40	0.50	25.0	1.07	1.44	34.6
Health & Hospitals	0.44	0.50	13.6	0.52	0.55	5.8	0.42	0.49	16.7	0.56	0.56	0.0

Source: Based on Compendium of Government Finances, 1957 Census of Governments, and Governmental Finances in 1965-66, U.S. Bureau of the Census.

The relationship of local to combined state-local total expenditures was virtually the same for the public land states as for the United States. Overall, on a per capita expenditure basis, however, the percentage of local expenditures to combined state-local spending in the Federal land intense states dropped from 67.1% in 1957 to 65.2% while falling off to a somewhat lesser degree on the average elsewhere in the country.

Per capita expenditures by the local governments in the public land states in the four major categories of spending were 54.8% higher in 1966 than in 1957. Spending for educational purposes in 1966 was 91.2% higher and 96.8% higher for public welfare. In each of the four categories, 1966 expenditures in the Federal land intense states showed a higher level of per capita spending than on the average for the other states of the nation, in 1966, $250.56 in the public land states as compared with $185.44 in the other 38 states.

H. Sufficiency of Expenditures in Public Land States

A comparison of state-local government per capita expenditures by categories shows that more ($297 versus $227) was being spent in 1957 and still more ($556 versus $396) in 1966 by public land states than elsewhere. Expenditures per resident were higher for education, for highways, for public welfare and health.

In aggregate per capita expenditure terms, the public land states were spending relatively somewhat less in 1966 than in 1957 while somewhat more, percentage wise was being spent on the average in other states. Major program spending in the public land states represented 68.9% of total expenditures in 1966 compared with 70.9% in 1957; elsewhere the percentage increased from 70.7% in 1957 to 71.5% in 1966. This variation between the groups of states is not wide - certainly not as wide as between individual states - and signifies that in meeting a wide diversity of public needs other programs are gradually being given more funds in the public land states.[1/]

A significant factor, however, might be whether, in those states, for each dollar expended they receive an equivalent value for each dollar spent elsewhere. The prices of purchased goods compared with the average prices in the United States tend to be lower in the South and Southwest and higher in the West. An old truism based on manufacturers' prices quoted in eastern states was that the price would be 10% higher west of the Mississippi. As a rough indicator, this would mean that a per capita expenditure of $550 would perhaps be equivalent to $490 in the rest of the country. The change over a period of years would not be affected.

Population density, the number of people per square mile, could also influence the magnitude of expenditures in different states. This implies that states with a low density and a lesser degree of urban concentration might have to spend more to provide physical facilities if not services equivalent to those available in states of higher population density.

[1/] Based on the data underlying Tables No. A-15 and A-16.

In Table No. A-17, the major per capita state-local government expenditures of the public land states are arrayed by the population density of the states. In addition, for educational and highway expenditures, ratios are shown on the basis of pupil enrollment and miles of highway.

The public land states have only 18.2 people per square mile, despite the fact that the included state of California has a high density of 120 persons per square mile. Among these states are four with the lowest population density in the 50 states, and only 10 non-public land intense states fall within the population density range of the public land states excluding California.

Educational expenses naturally exhibit a high correlation with population. The per capita costs, however, are definitely higher in the public land intense states than they are in states of roughly comparative population density. These higher expenses apparently are causally related to distances between population centers and dispersion of population over large land areas, most of which are Federally owned. In the public land states the level of expenditures is not only higher than in other states but there is also greater variability than in states of similar density. The education expenditures in 1966 in public land states averaged $220.53 per person. They varied from a low of $161.55 in Idaho to a high of $283.40 in Alaska, a range of almost $122 from low to high. In the 10 non-public land, low density states, the variance in expenditures was only $76 per capita. Adjusting public land state data for differences in price levels would not change the variability. The 12 state average at an adjusted value of $196 would still be 20% above the average per capita level for other parts of the nation. However, this loses some of its significance when the ratio of per capita to per pupil costs is derived by dividing Column 3 by Column 2 in Table No. A-17. This ratio runs about 4.6 in non-public land states. In Federal land intense areas the ratio is 4.1, an indication that school expenditures are less effective than elsewhere.

The public land states also spend more per capita for streets and highways. This expense, in 1966 was definitely heavier on each person the smaller the population density per square mile. California spending ran closest to that in non-public land states, but the 12 states as a group were spending $81.79 per capita, or about 11% more than in the 10 other states with relatively low population density. Table No. A-17 shows almost a consistent rise in highway expenditure as population density falls off. A similar pattern shows for eight out of the 10 low density states. The cost of road per mile, exclusive of California and Alaska expenditures, tends to decline with lower population density and, to a lesser extent, the same is true for low density, non-public land states. The lower average per mile cost in the 12 public land states indicates higher costs for local government and heavier expenses in maintaining their own state, county and municipal road systems than in other states.

TABLE NO. A-17

PER CAPITA EXPENDITURES BY STATE AND LOCAL GOVERNMENTS FOR EDUCATION, HIGHWAYS, HEALTH & WELFARE, 1966 PUBLIC LAND STATES AND NON-PUBLIC LAND STATES

(Ranked by State Population Density)

State	Population Per Sq. Mile, 1966	Education Expenditures		Highway Expenditures		Health & Welfare
		Per Capita ($)	Per Public School Pupil ($)	Per Capita ($)	Per Mile of Road ($)	Per Capita ($)
	(1)	(2)	(3)	(4)	(5)	(6)
United States[1]	55.0	170.09	773.50	65.23	3,443.00	64.41
Public Land States (12)	18.2	220.53	919.51	81.79	3,197.62[2]	80.65
California	120.1	220.46	951.17	69.27	7,616.06	95.41
Washington	45.6	203.26	820.78	79.97	3,333.56	58.27
Oregon	20.5	221.24	920.38	92.85	2,140.44	54.33
Colorado	18.8	237.03	929.64	74.58	1,814.34	85.02
Arizona	14.1	212.16	887.44	81.47	3,283.88	41.17
Utah	12.2	255.91	883.05	95.83	2,516.17	48.76
Idaho	8.4	161.55	645.16	101.72	1,322.98	53.94
New Mexico	8.2	242.12	896.65	110.38	1,655.22	63.88
Montana	4.8	190.46	795.91	145.58	1,370.27	48.29
Nevada	3.9	224.36	897.71	152.67	1,406.64	73.55
Wyoming	3.3	284.01	1,066.99	236.05	978.48	70.85
Alaska	0.5	283.40	1,220.54	280.00	11,307.53	56.98
Non-Public Land (38)	90.7	160.27	741.94	62.01	3,512.21	61.25
Low Density (10)	31.1	160.61	684.54	75.35	1,869.86	56.00
Minnesota	44.6	198.01	846.92	87.37	2,469.44	74.44
Vermont	44.3	163.99	769.42	133.33	3,919.89	58.15
Texas	40.9	150.51	631.08	63.44	2,865.79	44.42
Arkansas	37.3	122.70	532.20	64.01	1,543.93	55.52
Oklahoma	36.0	166.81	690.51	69.84	1,620.32	93.90
Maine	31.5	121.57	535.58	85.28	3,935.45	50.51
Kansas	27.7	169.67	748.40	82.59	1,409.64	54.06
Nebraska	18.8	167.41	755.60	86.03	1,199.67	48.65
North Dakota	9.3	193.00	840.93	105.44	634.33	49.30
South Dakota	8.9	189.10	764.92	128.57	1,040.97	40.35
Other States (28)	139.2	160.21	753.48	59.57	4,403.75	62.20

1/ Excluding the District of Columbia.

2/ Excluding Alaska and California the average cost per mile is $1,925.43.

Sources: Expenditure data from Governmental Finances in 1965-66, U.S. Bureau of the Census; Pupil data from Fall 1966 Statistics of Public Schools, U.S. Department of Health Education & Welfare; Miles of Road data from Highway Statistics, 1966, U.S. Bureau of Public Roads; Population data from U.S. Bureau of the Census; Land area data from General Services Administration.

Health and public welfare expenditures per capita in the public land states not only are higher than elsewhere but the effective cost also increases greatly as the population density declines. At first glance, the expenditure figures shown on Table No. A-17 for health and welfare appear of like magnitude among states in each grouping. The spread in per capita costs between the highest and lowest figures in the 12 states is $54.24 and in the 10 states is only slightly less at $53.55. If, however, the health and welfare expenditure per capita in each state is divided by the population density, the resulting ratio increases progressively, rising from 0.79 in California to 114 in Alaska. Among the 10 low density, non-public land states, there is a less pronounced progression in the ratio. This indicates that despite seemingly comparative average expenditures per capita, these expenditures are relatively higher in the public land states.

Education, highways, health and welfare apparently cost the residents of the 12 public land states more than in most other states in the nation. State and local expenditures in those states represent a higher proportion of the aggregate personal income of the people living there than in the non-public land states. In the public land states total expenditures per $100 of personal income (see Table No. A-16) were $17.33 compared with $13.62 on the average in other states, or 27% higher. Concomitantly the expenditures over the 10 years from 1957 to 1966 for schools, highways and public welfare also took a higher percentage of personal income. Only the public land state expenditures for health and hospitals, which were at the same level as in other states in 1957, fell behind the United States average.

All factors considered, the state and local governments in the 12 public land states have to pay more for governmental goods and services of the kinds and quality elsewhere in the country. The low population density of these states affects their scale of operations. Since there are fixed costs inherent in many government operations for the public safety and welfare, it should be expected that expenditures might run higher in the public land states. Over the past 10 years, however, despite increasing population and income there is no indication that the costs of state-local operations have become less onerous to the residents of the Federal land intense states.

As pointed out earlier in this chapter when discussing Table No. A-14, the 1966 RS and PILT payments from Sect. 10 lands represented only a very small portion of state-local revenues and/or their expenditure requirements. Even when the payments from non-Sect. 10 lands are also considered, the total amount of revenue sharing and payments in lieu of taxes is less than 1% of the total expenditures even in the 12 public land states where the combined payments total up to $106.3 million. On a per capita basis, this amounted to about $3.35 per person while total expenditures were $556.14 per person in the 12 state area.

V. Responsibilities Imposed Upon Federal, State and Local Government by Federal Land Ownership

A. Effectiveness of Federal Sharing Program

Payments under Federal revenue sharing programs are related to the location and productivity of the lands, not to the revenue needs of the state and local governments affected by the presence of the lands. The location and dispersion of the lands among the states are the result solely of purchases by the nation for future expansion, as the opportunity arose by chance for their acquisition. Much of these lands were in largely unexplored and unexploited parts of the present area of the coterminous United States. Most of those lands remaining in Federal ownership are in the western portion of the country and remain to a large extent in the natural state as of the time of purchase.

Under such circumstances it would be surprising if these lands today, despite increasing multiple use management programs, were equally productive. It would be even more unlikely that they could generate sufficient revenues from agricultural and mineral production uses to provide an equitable share of state-local revenue needs.

There is no definitive evidence to indicate that the presence of Federal lands has made it impossible for state and local governments to develop adequate sources of revenue to support their operations. But there is ample evidence to the effect that the proportion of state-local government receipts from Federal land related programs has been steadily declining while those from privately owned lands have increased or remained static.

Table No. A-18 shows for 1966 the relationship of state-local revenues raised by property taxes to revenue sharing payments on Sect. 10 lands by state. The data is arrayed, from high to low, by the percentage of Sect. 10 land in each state, starting with information on Alaska, where virtually all (98%) of the land is still in the public domain. The 12 public land states, by definition those having 25% or more of their area in Federal ownership, contain 63.2% of the Sect. 10 lands. Below them the percentage drops off sharply to 11.8% in New Hampshire, and then steadily declines with smaller and smaller percentages as the states fall in the eastern part of the country.

This Table No. A-18 reveals that throughout the country the contribution to total state-local revenues from real and personal property taxes ranges from 8.18% in Alaska to 48.59% in New Jersey. There is no great difference on the average for the 12 public land states even though the range of applicable percentages is narrower. In the 12 states, the average proportion of property tax revenues is 30.76%, about 1.2 percentage points higher than for the rest of the country.

TABLE NO. A-18

STATE AND LOCAL REVENUES FROM PROPERTY TAX COMPARED WITH FEDERAL PAYMENTS ACCRUED UNDER REVENUE SHARING AND PAYMENTS IN LIEU OF TAX PROGRAMS, BY STATE, 1966

(Ranked by Percentage of Section 10 Land in State)

State	Section 10 as % of Total Land in State3/ (%)	State and Local				Accrued Revenue Sharing and Payments in Lieu of Tax Payments on Section 10 Lands1/		
		Total Revenues	Property Tax Collections					
		Amount ($000)	Amount ($000)	As Percent of Total Revenues (%)	Per Acre of Privately Owned Land2/ (cents)	Amount ($000)	As Percent of Total Revenues (%)	Per Acre of Section 10 Lands3/ (cents)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Alaska*	98.0	228,700	18,700	8.18	4,437	8,031.6	3.512	2
Nevada*	86.6	261,000	62,400	23.91	821	909.1	0.348	2
Utah*	66.3	470,700	118,000	25.07	1,022	3,783.4	0.804	11
Idaho*	63.5	309,400	78,700	25.44	525	1,481.9	0.479	4
Oregon*	48.2	979,200	277,000	28.29	1,048	19,909.9	2.033	67
Wyoming*	47.0	221,400	55,900	25.25	215	15,069.2	6.806	52
Arizona*	44.2	749,500	222,900	29.74	2,068	975.3	0.130	3
California*	42.4	10,779,700	3,752,200	34.81	7,502	9,506.5	0.088	22
Colorado*	34.7	1,028,100	308,900	30.05	823	3,538.4	0.344	15
New Mexico*	32.6	552,100	61,600	11.16	188	11,776.8	2.133	46
Montana*	27.1	347,600	114,100	32.83	210	3,406.6	0.980	14
Washington*	26.7	1,564,500	310,900	19.87	1,326	6,192.3	0.396	54
New Hampshire	11.8	234,900	103,400	44.02	2,155	66.2	0.028	10
Arkansas	7.7	629,400	95,600	15.19	324	1,008.3	0.160	40
Michigan	7.4	3,724,600	1,131,500	30.38	4,215	226.3	0.006	8
Minnesota	6.5	1,782,400	591,000	33.16	1,466	312.2	0.018	10
West Virginia	5.9	643,100	98,000	15.24	736	175.4	0.027	19
Virginia	5.8	1,489,600	340,200	22.84	1,539	113.9	0.008	8
Wisconsin	4.7	1,883,200	636,000	33.77	2,090	157.6	0.008	10
Vermont	4.0	191,000	47,000	24.61	868	122.3	0.064	52
Mississippi	4.0	747,200	117,100	15.67	420	1,017.4	0.136	85
North Carolina	3.9	1,557,000	270,000	17.34	965	284.1	0.018	23
Florida	3.9	2,279,900	583,600	25.60	2,003	261.6	0.012	19
South Carolina	3.7	724,800	102,400	14.13	593	641.6	0.088	88
South Dakota	3.4	299,500	104,600	34.92	275	175.1	0.058	11

See Page 3 for footnotes and sources.

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TABLE NO. A-18 (Continued)

STATE AND LOCAL REVENUES FROM PROPERTY TAX COMPARED WITH FEDERAL PAYMENTS ACCRUED UNDER REVENUE SHARING AND PAYMENTS IN LIEU OF TAX PROGRAMS, BY STATE, 1966

(Ranked by Percentage of Section 10 Land in State)

State	Section 10 as % of Total Land in State3/ (%) (1)	State and Local: Total Revenues Amount ($000) (2)	State and Local: Property Tax Collections Amount ($000) (3)	State and Local: Property Tax Collections As Percent of Total Revenues (%) (4)	State and Local: Property Tax Collections Per Acre of Privately Owned Land2/ (cents) (5)	Accrued Revenue Sharing and Payments in Lieu of Tax Payments on Section 10 Lands1/: Amount ($000) (6)	Accrued Revenue Sharing and Payments in Lieu of Tax Payments on Section 10 Lands1/: As Percent of Total Revenues (%) (7)	Accrued Revenue Sharing and Payments in Lieu of Tax Payments on Section 10 Lands1/: Per Acre of Section 10 Lands3/ (cents) (8)
Missouri	3.2	1,686,700	435,100	25.80	1,064	159.6	0.010	11
Georgia	3.1	1,520,500	274,300	18.04	811	381.3	0.025	33
Louisiana	2.9	1,540,200	190,400	12.36	715	804.0	0.052	97
Tennessee	2.3	1,227,500	221,900	18.08	920	95.7	0.008	16
Kentucky	2.0	1,049,000	164,700	15.70	691	104.5	0.010	20
Alabama	2.0	1,194,400	116,000	9.71	387	249.0	0.021	39
Pennsylvania	1.7	4,182,700	1,016,700	24.31	4,380	241.0	0.006	50
Delaware	1.5	265,400	33,100	12.47	2,968	15.2	0.006	79
North Dakota	1.0	309,900	84,300	27.20	213	266.1	0.086	61
Oklahoma	0.9	1,036,900	191,100	18.43	489	274.4	0.026	69
Nebraska	0.9	558,600	258,600	46.29	569	60.7	0.011	14
Illinois	0.7	4,300,000	1,610,800	37.46	4,879	96.1	0.002	36
Indiana	0.6	1,965,600	686,700	34.94	3,200	9.6	4/	8
Texas	0.5	3,728,100	1,074,900	28.83	681	683.2	0.018	88
Ohio	0.4	3,685,100	1,295,800	35.16	5,489	33.4	0.001	28
New Jersey	0.4	2,640,400	1,283,100	48.59	38,176	19.8	0.001	94
Maine	0.4	361,000	122,400	33.91	640	6.5	0.002	9
Maryland	0.3	1,444,500	437,300	30.27	7,953	21.8	0.002	104
Massachusetts	0.2	2,393,900	1,020,600	42.63	26,923	4.3	4/	40
Kansas	0.1	979,100	333,300	34.04	662	152.6	0.016	319
Iowa	0.1	1,241,800	447,300	36.02	1,313	11.1	0.001	39
New York	0.06	9,646,400	3,045,900	31.58	12,103	14.9	4/	87
Hawaii	0.04	411,000	56,800	13.82	2,707	0	0	0
Rhode Island	0.004	359,700	114,800	31.92	23,628	0	0	0
Connecticut	4/	1,220,400	464,100	38.03	18,962	0	0	0

See Page 3 for footnotes and sources.

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TABLE NO. A-18 (Continued)

STATE AND LOCAL REVENUES FROM PROPERTY TAX COMPARED WITH FEDERAL PAYMENTS ACCRUED UNDER REVENUE SHARING AND PAYMENTS IN LIEU OF TAX PROGRAMS, BY STATE, 1966

(Ranked by Percentage of Section 10 Land in State)

State	Section 10 as % of Total Land in State3/ ($) (1)	Total Revenues Amount ($000) (2)	State and Local Property Tax Collections Amount ($000) (3)	State and Local Property Tax Collections As Percent of Total Revenues (%) (4)	State and Local Property Tax Collections Per Acre of Privately Owned Land2/ (cents) (5)	Accrued Revenue Sharing and Payments in Lieu of Tax Payments on Section 10 Lands1/ Amount ($000) (6)	Accrued Revenue Sharing and Payments in Lieu of Tax Payments on Section 10 Lands1/ As Percent of Total Revenues (%) (7)	Accrued Revenue Sharing and Payments in Lieu of Tax Payments on Section 10 Lands1/ Per Acre of Section 10 Lands3/ (cents) (8)
United States	32.3	82,627,300	24,581,700	29.75	1,864	92,847.9	0.112	13
Public Land States	63.2	17,491,900	5,381,300	30.76	1,819	84,581.0	0.484	12
Non-public Land States	2.4	65,135,400	19,200,400	29.48	1,877	8,266.9	0.013	30

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* Public Land States

1/ "Public lands" as defined in Section 10 of Public Law 88-606.

2/ Derived from Table No. A-1A, excluding 50,371,946 acres of Indian trust and tribal lands.

3/ Derived from Table No. A-1B excluding 866,698 acres of public domain lands under the jurisdiction of the Corps of Engineers.

4/ Less than 0.005%.

Sources: Total Revenue and Property Tax data from Governmental Finances in 1965-66, U.S. Bureau of the Census; revenue sharing and payments in lieu of taxes data as provided by agencies administering the programs; acreages as developed from data supplied by the General Services Administration and other departmental sources.

Despite a relative consistency in property tax levels, there is a wide variation from state to state in the amount of tax paid on privately owned land. For the 50 states as a whole, it averaged $18.64 per acre. In the 12 states, property taxes produced only $18.19 per acre, about 2.4% less than the national average and about 3.1% less than in the rest of the county. This difference is caused by the very high taxes in five states (New Jersey, Massachusetts, New York, Rhode Island and Connecticut).

Considering the Federal sharing payments as received by the various states, it is readily apparent that the proportion these payments are of state-local revenues is the heaviest in the 12 public land states. Yet, the average per acre payment in those states is only 12 cents. For what Federal revenue producing land they have, the other 38 states receive an average of 30 cents per acre.

Alaska, with the largest amount of Federally owned land, receives payments amounting to 3.5% of total state-local revenues. This is the second highest percentage of revenues accounted for by sharing payments, yet it is accomplished by payments of only 2 cents per acre. The state of Wyoming, ranking sixth, received 6.8% of its revenues from payments averaging 52 cents on each acre of Sect. 10 land.

Oregon, fifth in rank by proportion of Sect. 10 land, received $19.9 million, the largest payment in 1966. Nevada, second in rank and with twice as many acres of public land as Oregon, received only $0.9 million. In Oregon, the payment averaged 67 cents per acre, in Nevada 2 cents per acre. The highest payment per acre was 319 cents in Kansas on 47,874 acres for a total payment of $152 thousand. The next highest payment was 104 cents per acre on 21,015 acres in Maryland for a total payment of $20 thousand.

Clearly, the highest per acre payments are usually made on the best and most productive lands and not where the greatest number of acres are. If perchance a state contains millions of acres of land, and it is land either rich in mineral resources or heavily forested, both the average payment per acre and the total payments will tend to be high, as in the case in Oregon, Wyoming, New Mexico, California and Washington.

There exists little or no correlation between the property taxes levied in a state and the RS and PILT payments on Sect. 10 land in that state. In 24 states where the RS and PILT payment was 20 cents or less per acre the tax per acre on private land ranged from $2.10 to $44.37 per acre. This group of 24 states included seven of the 12 public land states where the property tax on private lands had the same range of variation as for the group of 24. In other words, the public land states showed the greatest amount of variation.

In actuality, the sharing payments made on Federal lands have no direct causal relationship to property taxes collected by state and local governments. Current RS payments on Sect. 10 lands are solely related to the resource use of the property and not in any way to any taxable value. Indirectly, of course, the higher per capita tax burden and higher tax payments per $100 of personal income is probably related to the existence of Federal lands in the public land states.

B. Sharing Burdens as Well as Revenues

When large areas of land are removed from the jurisdiction of local governments and from private ownership, there develops an imbalance in the financial interrelationship and responsibility among different levels of government. This imbalance is one reason why local governments feel that both the states and Federal governments should provide financial assistance to help them meet the demand for services in their area which exceed their immediate capacity. This inability to tax the Federal lands and its resources, however, does not necessarily create as much hardship as often has been claimed. The losses of such tax revenues are nevertheless substantial despite the land-related payments programs Congress has established. From such programs in 1966 on Sect. 10 and non-Sect. 10 lands some $131.1 million were distributed to the state-local governments. Conservatively estimated, they also received $13.1 million [1] of in-kind benefits in the form of free goods and services from the Federal government, bringing the total benefits and payments up to an estimated $144.2 million. Offsetting this because of the presence of the Federal lands, there might be a direct financial burden upon the state and local governments of as much as $55 million.[1] This means that the states and localities collectively in 1966 probably had a net revenue benefit of at least $89.2 million. (Of that amount, the net benefits from programs on Sect. 10 lands alone probably were $65 million.) At the same time, additional revenues were available to those state and local governments which collected severance or property taxes on the products, services and improvements of private lessors or operators of Federal land.

At this point, it is important to stress that the Federal lands do create burdens for the states and local governments where the lands are located. All previous comparisons of revenues or expenditures in this report have emphasized the total payments made by the Federal government. In actuality, localities wherever there are Federal lands, incur fire protection, law enforcement, public safety and other costs which cannot be levied against the public land. On the basis of information secured from 50 case counties during this project, it is clear that the location and costs of their schools, roads, utility systems and similar community facilities are affected by the public lands. [2] Such costs are more fully described in Part 4 of this report.

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[1] Estimates based on Table CS-5, Part 4.

[2] These costs are exclusive of those which might result from the acquisition of property previously taxed by a community.

There is no logical reason why the state and local governments should not share in the costs of administration and some other burdens created by the Federal lands. This the state-local governments are already doing. The revenue sharing programs established by Congress provide that state-local instrumentalities receive only a percentage of the gross receipts from the lands - the portion retained by the Federal government being reserved for management and improvement of the lands or are deposited in designated funds, or in the General Fund of the Treasury. In many instances, the government appropriates additional funds to meet the total administrative costs of the management programs.

There is,however, some reason to question whether state and local governments should fully bear costs they incur simply because the Federal lands make their governmental operations more costly than they would be if the lands were not in Federal ownership. Truly, if the lands were privately owned some of these burdens might also be incurred but then the lands could be subject to appropriate state-local taxes to offset those costs.

Some idea of how extensive local financial burdens are, is deducible from the project's detailed study of 50 case counties (Table CS-5, Part 4). In 17 counties, the purported local burden caused because of Federal lands was greater in 1966 than the total of PILT and RS payments received and the value of in-kind benefits. In other words, in those 17 counties, the Federal land created a net financial drain. If allowance is made for Sliding Scale payments also allocated to those counties, only eight of the 17 experienced a financial disbenefit. This situation may not be representative of all counties which receive PILT and RS payments. However, at the same time, there are counties where few, if any, payments are made because either the Federal lands involved are not in productive use or, if in use, subject to minimal sharing provision under the Federal statutes.

C. Other Effects of Public Land Ownership

So far the analysis and the discussion have centered on aspects for which generally accepted monetary values apply. However, Federal land ownership - its retention, management and the related land uses - have other socioeconomic effects upon states and counties. These are of a nature for which generally accepted monetary values do not exist.

It has been found during this study that those land uses from which state-local governments do not obtain any direct in-lieu tax payments typically cause the greatest benefits and burdens to these units of government. For example, while there is no sharing of the revenues derived from activities on property controlled by the National Park Service, with one exception, visits by persons to such parks, both from within the state where it is located and from other states, cause the greatest burdens to local government because of local requirements for adequate fire protection, health services, law enforcement, and courts as well as facilities for detention. At the same time these activities in the national parks can also generate substantial direct and indirect benefits to a local economy. Tourists may rely upon local business for the provision of various services, although it was found that the spending by visitors was minimal in the local economy where many Federally owned recreation areas are located. For instance, visitors to the Boundary Waters Canoe area in the Superior National Forest make relatively few expenditures in St. Louis County, Minnesota, while the camping outfitters in Minneapolis enjoy a thriving business.

This study has not attempted to measure the value effects, positive or negative, of the various Federal land uses other than in terms of the resulting payments to state-local governments from Federal land related programs, including the provision of free goods and services and the direct burdens incurred in the case study counties. The Federal land management agencies have only recently begun to attempt to quantify other types of benefits which result from the multiple-use management programs, specifically those which emanate from conservation uses as opposed to the production of market value goods. The current state-of-the-art for quantification of such benefits is, to say the least, rudimentary.

Nevertheless, irrespective of whatever these indirect benefits may add up to for states and local governments, it is unlikely that there will be any locational relationship which would compensate for the great disparity in the identified direct net benefits or burdens as they were quantifiable from data in this study. If we were to assume that there are indeed substantial indirect net benefits that accrue to state-local governments from those Federal land uses, which presently do not provide direct payments to such governments, it would probably be true that these indirect benefits do not occur wholly where the presence of Federal lands is causing the identifiable direct burdens and inequities. The locational distribution of these indirect benefits, if indeed they should be net benefits, would be as randomly distributed as the observable variation in per-acre payments from the present programs - and there depend entirely upon the quality of one parcel of land relative to another.

In summary, then, while it is emphasized that as of now we cannot quantify or assess the overall benefits (or disbenefits) to states and local governments because of the presence of public lands, it is abundantly clear that enormous locational differences do exist. Where a state and/or county are the recipients of public land related payments at the low end of the scale, the presence of public land tends to have significant adverse effects upon the economy at those locations. As is shown by the case state digests (Appendix 3 of this report) public land states are required to make larger grants-in-aid payments to their public land intense counties. Moreover, despite these above average payments by the states to such counties, it was found that the quantity and quality of public services, specifically in the areas of education, health and related community facilities, are less than in counties with lesser or no public lands. This situation, however, is not necessarily due to the Federal land ownership but is more likely due to the types of land in Federal ownership which, at best, are conducive to a rural, low density economy.

An associated, and in many places, serious problem results from the pattern of Federal land ownership where Federal lands are intermingled with privately and other government owned lands. When this occurs, a variety of burdens are imposed which result in additional inequities and adverse effects upon the local populations. Such effects, over time, have had a cumulative impact. Although the Federal land management agencies have reported that in such cases they are actively furnishing a broader extent of management services to the non-Federally owned lands than the owners of the private lands provide for the Federally owned, it is also believed that these agencies, for the most part, have failed to recognize the extent of the burdens imposed upon state and local governments. For example, in one case study county, it was found that the county's inability to condemn or otherwise obtain use of a strip of Federal land required the county to build a circuitous road. This not only resulted in substantially greater construction costs but requires users of the road to take a longer route and suffer higher incremental costs in time and travel. Similar situations reportedly exist in many states with large Federal landholdings.

From the above examples, it is apparent that the effects of Federal land upon society are inevitably greater than have been brought to the fore in many, if not all, of the Congressional deliberations which involved PILT or RS programs. In one such debate[1/] the proponent of a revenue sharing program bluntly admitted that he had no idea of the effects of the presence of Federal land for which a revenue sharing program was suggested. Consequently, the suggestion was made to set the revenue sharing percentage at an arbitrary level. This was done because it was not known for what tax loss the revenue sharing payments were to compensate nor how the prospective payments could be related to the effects upon society because the payments were to compensate for Federal land.

As inconsistent and as varied as the effects of Federal land are in the various public land intense areas, there are similar varied impacts, either positive or negative, upon the communities in non-public land intense areas. One obvious negative effect is that the states and local governments which do not have public lands within their jurisdictions do not share in the revenues obtained from the public lands. Another negative effect results when most of the non-distributed revenues are deposited in designated funds of the Treasury (such as the 52.5% from mineral leasing which are paid into the Reclamation Fund). The nonparticipating governments obtain no direct

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[1/] See, e.g. 58 Cong. Rec. 7772 (1919), remarks of Representative Mondell.

benefits at all from the national heritage of public domain lands and the acquisition of lands by the Federal Government. At the same time, the economies of these non-participating areas, through the mechanisms of Federal taxation, contribute to the acquisition, development and routine management of the Federal lands.

Obviously, such a narrow view does not represent the total picture. The Federal lands are a national resource for which there is no substitute. To the extent that this resource benefits the total economy of the nation, all its citizens should benefit therefrom. As pointed out in one of the previously given examples, a large town with virtually no Federal lands can benefit from the presence of Federal land elsewhere.

This phenomenon should also be seen in a broader view. Most of the current land use programs on Federal lands do not result in value-adding activities within the microeconomies in which the Federal lands are located. Typically, timber grown in one place is processed into other products in another place. While the many timber-rich counties in Oregon and Washington may depend in large measure upon the lumbering activities upon Federal lands, a far greater economic benefit will be realized in those towns and counties where the large lumber and paper mills are located, and they are not necessarily where the timber is grown. To appreciate this, one need only to watch the stream of rail cars loaded with Douglas fir, harvested on Federal lands in one county in Washington but moving for further value-adding processing outside of that county or even the state. Although the magnitude of the successive impacts generated through the nation is not readily quantifiable, one very rough indicator may be the average contribution of $0.33 per acre made by all Federal land related program payments to state and county governments as compared with the $18.64 contribution made by property taxes from private properties.

From a systems analysis viewpoint, the current PILT and RS system differs basically from what it purports to provide, namely compensation for lost taxes, in that it is relatively inflexible. State-local tax policies and procedures, however, are comparatively flexible. This provides a logical rationale as to why there should have developed such large differences and diversity between what has been paid under sharing programs and what would have been paid if the lands were taxed.

PART 4

CASE STUDIES

PART 4

Case Studies

I. Introduction

An extension of the legal and resource studies, reported in Parts 2 and 3 of this manuscript, is in-depth case studies covering five selected states and 50 selected counties. A listing of these states and counties is contained in Figure No. 4-1 on the next page. This phase of the study was designed to show the actual influence of major public land ownership and various use situations on the financial structure of state and local governments. However, like the legal and resource study phases it, too, dealt only with the effects of public land ownership and uses which are subject to PILT and RS programs and their direct financial effects rather than the various indirect effects caused by other public lands and their uses, such as the national parks and monuments, defense installations on public domain lands, and so on.

Besides the field collection of state and local government financial data, as opposed to the use of published data, the field work at the Federal land management agency, state and local governmental levels focused on the obtaining of specific information on subjects for which there is generally little or no published information. Included in these subjects were, inter alia, the provision and value of in kind benefits as made available by Federal agencies to state-local governments, the specific financial burdens caused these governments by the presence of public lands, and, as other related problems, the taxation of third party interests in public lands by state-local governments and, importantly, an assessment of the property taxes "lost" or potentially obtainable if the lands were either in private ownership or their tax immunity were rescinded. Finally, these case studies also dealt with selected aspects of the Federal land management policies and practices, primarily in regard to the effects of the present PILT and RS system upon the economic efficiency of Federal public land management.

II. Data Problems

Various difficulties were encountered in the course of the case studies. These ranged from nonavailability of Federal officials for scheduled interviews because of the serious forest fires in northwestern states during the summer of 1967 to a complete absence of financial data for the local governments in one of the southern counties. A common data problem was the general nonavailability, in one place of the financial flows in what constitute the local units of government in one county. The State of California, for example, which provides more detailed and comprehensive data publications for the state and its subordinated units than in any other state covered in this study, also

Figure No. 4-1

List of Case States and Counties

Case States and Case Counties in Case States

California
- Del Norte
- Fresno
- Nevada
- San Bernardino
- Trinity

Colorado
- Fremont
- Grand
- Gunnison
- Las Animas
- Mesa
- Moffat
- Montrose
- Rio Blanco
- Rio Grande
- Summit

Minnesota
- Cass
- Itasca
- Lake
- Marshall
- St. Louis

New Hampshire
- Carroll
- Coos
- Grafton

Washington
- Jefferson
- Okanogan
- Skamania
- Stevens
- Whatcom

Case Counties in Other States

Arizona
- Mohave
- Yuma

Idaho
- Clearwater
- Owyhee

Montana
- Garfield
- Lincoln

Nevada
- Clark
- Elko

New Mexico
- Rio Arriba
- Sierra

Oregon
- Lake
- Lane

Utah
- Kane
- Box Elder

Wyoming
- Natrona
- Sublette

Arkansas
- Johnson

Michigan
- Gogebic

North Carolina
- Cherokee

Pennsylvania
- Forest

South Dakota
- Pennington

Texas
- Angelina

does not provide in a single source the data for financial transactions of the units in any one county. To obtain such, the researcher must not only be familiar with all the types of governmental units existing and providing services in and for the county subjected to study, but he must also obtain the reports, usually published by the state, relating to each type of unit and then attempt the "pulling together" of the appropriate information from each such report. That, however, is often simply impossible because the data just are not published in compatible form; different table headings may have different, or sometime the same, meanings. Different accounting periods are the rule for county governments and special districts, primarily those with revenues from the sale of products or services such as water and sanitation. Yet in this study, it would have been inadequate to reflect the financial flows of county governments only, especially where such do not even contain those applicable to their school districts, because the Federal land and the PILT and RS systems do affect, if at all, all governments, especially those responsible for the provision of public services which are normally financed from property taxes, or those upon whom special demands are made by the presence of public lands such as the health services in counties containing national parks or large Federally financed construction projects.

Consequently, efforts were undertaken to obtain and record the entire gamut of financial flows for states and counties. Inevitably, in a number of case studies, estimates had to be derived, often based on rather crude historical records. In many cases, the details sought simply could not be obtained and in others, some rather large revenue and/or expenditure figures lacked the appropriate meaning because even their major component types might not have been identified.

Lastly, reference should be made to the study methods described in detail in the first chapter of Appendix No. 3 preceding the case study digests.

III. The Case States and Counties

A. Demography and Public Finance

The 55 units subjected to in-depth study comprise a complete cross-section of public land ownership and uses. With the exception of the PILT and RS programs applicable to Alaska only, they contain all of the programs which were in effect during the study period, the years 1957-1966.

The five states comprise a total land area of over 266 million acres, 11.7% of the U. S. total; the Federal land holdings in these states are comprised of 85 million acres of which 80.9 million acres are Section 10 lands, representing 11% of the national total and just under 4.1 million acres of non-Section 10 lands, representing 13.5% of all such lands. In the aggregate, the Federal land in these five states accounts for 31.9% of the total land area in these states (as compared with the national average of 33.67%).

The 50 case counties comprise a total land area of 129.4 million acres, 0.6% of the U. S. total, of which 115 million acres are located in 13 public land states (the 12 identified in Part 3 of this report plus South Dakota) and the balance of 14.4 million acres in nonpublic land states. The Federal land in these counties amounts to 70.1 million acres; of these, 65.9 million acres are in the 13 above states where they account for 57.3% of these counties' total land area. The 4.2 million acres are located in nonpublic land states where they account for 29.2% of the total land area, or about half the intensity in the public land states.

The following vital statistics further describe these two "universes" (there is, of course, considerable overlap in these, as 28 of the 50 case counties are located in case states).

The three statistical series in Table No. CS-1 on the following page point up several interesting differences in the characteristics of these states as compared with the counties. Generally, these data show similar phenomena as were found in the figures for larger "universes" in the resource study part. While population, personal income and effective buying income have increased at about the same rate, the per capita EBI in the case counties is substantially below average per capita personal incomes[1/] in their states. This is due to the fact that the state statistics contain figures for several large metropolitan areas with typically higher incomes while the county figures reflect mostly rural and smaller town populations with lower incomes.

Property taxes per capita have risen at a much greater rate in the five states as compared with the 50 case counties, but in the states the property taxes share of total receipts has declined while for the counties it has remained at the high level of over one-third of total receipts.

For the states,with their urban areas,total receipts per capita increased at about one and one-half times the rate of increase for these rural public land intense counties, but as a share of personal or effective buying income the increase in the counties was almost twice the rate for the states. Relative to personal income, the tax burden upon the residents in the 50 counties is, on average, still less than that in the states, despite the much greater increase in total receipts as a share of EBI in the counties. They may reflect the increased dependence of counties upon state revenue sources, e.g., in education.

B. PILT and RS and State Revenues

Total payments from PILT and RS increased quite substantially for the five states during the period 1957-1966 though in two of them, Colorado and New Hampshire, they declined, evidencing the irregular pattern among states. The following are totals by type of land or payment for the five states. As in Part 3, all data are in current rather than constant (1957) dollars unless otherwise noted.

[1/] Effective Buying Income (EBI) is a proxy for personal income at the county level.

Table No. CS-1

Selected Statistics, Case States and Counties[1/]

	Case States			Case Counties		
	Population (000)	Personal Income ($ million)	Personal Income Per Capita ($)	Population (000)	EBI ($ million)	EBI Per Capita ($)
1957	22,498	52,011	2,312	2,156.1	3,444.1	1,597
1966	28,047	92,773	3,308	2,675.5	6,302.0	2,355
% change	24.7	78.4	43.1	24.1	83.0	47.5

	Property Tax		Property Tax	
	Per Capita ($)	% of Total Receipts ($)	Per Capita ($)	% of Total Receipts ($)
1957	99.60	34.6	146.86	38.1
1966	180.64	32.9	162.87	38.4
% change	81.4	-4.9	10.9	0.8

	Total Receipts		Total Receipts	
	Per Capita ($)	Per $100 Pers.Inc. ($)	Per Capita ($)	Per $100 EBI ($)
1957	287.65	12.44	234.54	8.93
1966	548.71	16.59	383.53	14.74
% change	90.8	33.4	63.5	65.1

[1/] Data Sources: EBSMC data bank, Tables D-2 and CS series.

Table No. CS-2[1]

PILT, RS and Other Public Land Related Payments to Five Case States

	1957	1966	% Change 1957-1966	% Change Per Capita
PILT and RS on Section 10 Lands,$	17,301,877	19,615,515	13.4	-9.1
PILT and RS on non-Section 10 Lands	1,483,005	351,702	-67.3	-85.7
BPR Sliding Scale Highway Aid	10,292,000	17,300,000	68.1	34.8
National Forest Highway Funds	6,828,826	10,022,157	46.8	20.0
Public Lands Highway Funds	329,005	820,000	149.2	50.0
Total Receipts	36,234,713	48,109,374	32.8	6.8

The totals for each of the states compared as follows:

Table No. CS-3[1]

PILT, RS and Other Public Land-Related Payments to Selected States Per Capita and Change 1957-1966, Per Acre 1966

State	1957 Receipts Per Capita ($)	1966 Receipts Per Capita ($)	Change 1957-1966 Payment (%)	Change 1957-1966 Payment Per Capita (%)	1966 Payment Per Acre[2] (c)
California	1.33	1.51	49.2	13.5	64.0
Colorado	4.98	4.22	-0.5	-15.3	34.3
Minnesota	0.17	0.23	48.0	35.3	24.4
New Hampshire	0.55	0.36	-21.6	-34.5	34.8
Washington	2.96	3.42	29.3	15.5	82.9
Five States	1.61	1.72	32.8	6.8	56.6

1/ Data Sources: EBSMCI data bank.

2/ Section 10 and non-Section 10 acreages in states divided into payments from all programs in Table CS-2.

Table No. CS-4

Comparison of Potential Property Tax Revenue and Federal Land-Related Payments in Case States - 1966

	Potential Property Tax All Federal Land[1] (¢/acre)	Receipts From Federal Land-Related Programs[2] (¢/acre)	Difference (¢/acre)	Difference ($000)
California	65.5	64.0	1.5	665.5
Colorado	39.0	34.3	4.7	1,129.8
Minnesota	73.5	24.4	49.1	1,655.4
New Hampshire	107.0	34.8	72.2	509.3
Washington	119.0	82.9	36.1	4,531.9

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[1] For California, represents average between estimated developed in case study and estimate in resource study. Figures for other states from case study estimates.

[2] From preceding Table No. CS-3, column 5.

As can be seen from this table, except for California and Colorado, the differences per acre are substantial. In fact, for the three most adversely affected states the "loss" is between 43% and over 205% of the actual payment. In viewing these estimates, it must be cautioned that the state-by-state differences also reflect these states' different taxing policies. The loss for Colorado, for example, would be much greater if the state still collected a general property tax, while the high loss in New Hampshire is, in part, a function of that state's high property tax levied in the absence of a general personal income tax.

C. State Expenditures

On average, expenditures in the states have risen at a far greater rate than the public land-related payments obtained by them. Tables Nos. A-15 and A-16 in the preceding Part 2 of this report contain data for the five case states. In Table No. A-15 the average increase in the expenditures for the five states and their local units is shown at 129.6%, with expenditures for education and public welfare outpacing that rate. Contrasting this rate of increase with the increase of 32.8% in all land-related payments to the five states over the 10-year period points up the gross inequity in the increase in revenue from this source. This, of course, is the result of a relatively inelastic system, as explained more fully in Part 2 of this report, as compared with, on the one hand, elastic state and local taxing-revenue producing policies and a much greater rate of increase in most other non-land related Federal aid programs. The latter, while increasing for the U. S. by 175.7% over the 1957-1966 period, have increased for the five case states by 164.5% per capita and 229.7% in absolute figures; PILT and RS payments, exclusive of the other three public land-related programs, decreased by 9.1% per capita in the aggregate for the five case states, though they increased by 41.5% for the U. S. Again, in absolute figures, the increase for the five case states was 13.4% as compared with the above-mentioned 32.8% for all land related programs.

The contradictory evolution, increase in payments for the U. S. and the case states against a per capita increase for the U S. but a decline for the five case states, is the result of the much faster population growth in the case states as compared with the U. S. as a whole, 24.7% as compared with about 15%.

It is quite obvious then that the share of public services funded from public land-related revenues has been declining greatly while states and local governments, with these large Federal land holdings and more rapidly growing populations, are compelled to finance an increasingly greater share of the cost of public services, in general and those related to the public lands, from nonpublic land-related revenue sources.

D. PILT and RS and County Revenues

The evolution of PILT and RS payments in the 50 counties is, of course, similar to the experience in the case states. For these counties, however, a somewhat more accurate measurement of the total benefits, including in kind benefits, and specific financial burdens appears feasible. Table No. CS-5 contains a summary of the net impact of PILT and RS payments, excluding and including sliding scale benefits as allocated to the various counties by their states. The Forest Highway Fund and Public Land Highway Fund assistance programs are not allocable on a county basis. Similar to the picture in the five case states, there are greatly diverse results among the counties, reflecting the large differences in the "productivity" of the different land types, the prevailing land uses and the financial burdens which varied from zero to amounts exceeding the aggregate benefits to a county by as much as $246,800. Hence, the averages can be greatly misleading as it shows that the average case county received about $266,780 in net benefits, or 19¢/acre, yet one county, Elko, Nevada, incurred the aforementioned net burden, an average of a 3¢ "loss" per acre, while another, Lane, Oregon, obtained a net benefit of $3,775,948, or $2.22 per acre.

The notable decline in RS and PILT payments from non-Section 10 lands resulted in an average payment for the five states of 8.6¢/acre while the payment for Section 10 lands, which also declined but at a much lesser rate, resulted in an average of 24.2¢/acre. The three non-PILT and RS programs yielded an average 23.8¢/acre. This relatively high yield explains, in part, the low per acre payments to Minnesota and New Hampshire, as both are ineligible to participate in the BPR Sliding Scale Program. The second lowest per acre yield was experienced by Colorado though it obtained its $8.2 million from the four major sources, excepting only the relatively minor public lands highway programs. The reason for the relatively low payment to Colorado is twofold: a decline in the amount paid and, more importantly, the presence of lands with very low yields, from RS programs, except for the few active mining operations.

In summary, the picture is not a pretty one. Greatly diverse results for practically each state, both in absolute terms and over time, were observed. Inasmuch as these public land-related payments must be viewed as a substitute for the loss in property taxes, it should be noted that for the five states the average increase in property tax collections per capita of 81.4% over the 10-year period was not matched in a single state with a commensurate increase in these PILT, RS and related payments. The largest per capita increase for Minnesota, 35.3%, is a mere 44% of the average increase in per capita property taxes. The decline of 34.5% in the per capita payment to New Hampshire still resulted, due to the much higher yield of the forest lands there, in a per acre payment which is over 40% higher than that for Minnesota.

To complete the analysis of revenues from Federal land-related services, it is necessary to compare them with the "loss" in property taxes to the state including its local units (two of the states, Colorado and California, did not levy a general state property tax in 1966). This comparison can be done on two bases: (1) the estimate for property taxes developed in the resources study and also contained in Alternative No. 1, and (2) the specific property tax estimates developed in the case studies. Because the latter contain more specific, as opposed to average type, information, these will be shown. (See Table No. CS-4 on page 93.)

The RS and PILT payments of $12.6 million shown in column 1 of Table No. CS-5 can be compared with the figures for 1960 -- data for earlier years are incomplete and would therefore distort the comparison -- which totaled $9.7 million and show an increase for the six year period of about 29%.

Because, as stated repeatedly in this report, PILT, RS and in kind benefits must be viewed as the substitute for the loss of property taxes to state and local governments, the payments from the public land-related programs, in this case those shown in columns 1, 2 and 3 on Table No. CS-5, must be related to potential property tax revenues from the same Federal lands if they were taxed as though in private ownership. Table No. CS-6 contains such a comparison. The results are generally corollating with the picture reflecting the net benefit or burden in Table No. CS-5. A few of the case counties are shown to obtain greater benefits from the current PILT, RS and in kind benefits then they would if the lands were taxed. Again, Lane County, Oregon, is shown to have the greatest absolute and per acre difference in its favor. Conversely, San Bernardino County, California, is shown to have the greatest difference in absolute terms, a revenue disparity of almost $9.4 million, though on a per acre basis the greatest difference is shown for Fresno County, California with a difference of $362.77 per acre. For the 50 counties in the aggregate, a difference between the potential tax and the current benefits of over $12.7 million, or over 90% of the amount of current benefits, is shown. For each applicable acre of public land in these 50 counties this difference amounts to a revenue disparity of 18.14¢. The effect upon the "average county" is a revenue disparity of over $254,000. Of the 50 counties, 34 experienced a net revenue "loss".

Table No. CS-7 contains calculations showing the effect of PILT and RS on Section 10 lands on local government finances in the 50 case counties for 1966.

For the 50 case counties as a whole, the revenue sharing and payment in lieu of tax programs in 1966 did not contribute much to meeting the total tax load upon residents of the counties. Only $4.70 in payments, on a per capita basis, or less than $1.60 out of every $100 came from the PILT and RS programs to meet the average combined per capita state and local tax bill of $295.89. In one county (Skamania, Washington) the payments received, $295.70 per capita, were about 20% greater than the $248.02 of state-local taxes paid. In no other county did the payments represent even as much as half of the tax requirement.

On the basis of total benefits (revenue sharing, free goods and services and joint use of facilities) received in 1966 from Federal sources compared with the local financial burden, the counties fall into one of two groups: 33 receiving a net benefit in excess of their local expenses in connection with the Federal lands, and 17 counties whose Federal land-related expenses exceed Federal contributions. The average effective buying income of residents in each group differs by 5% or some $125 per capita. The higher per capita income, however, prevailed in the 17 counties which had a net burden, or greater local costs on Federal lands than the benefits received.

TABLE NO. CS-5

NET IMPACT OF REVENUE SHARING AND PAYMENTS IN LIEU OF TAX PROGRAMS[1] IN 50 CASE COUNTIES, 1966

(In Dollars)

Case Counties	Direct Benefits				Local Financial Burden	Net Benefit (or Burden) Excluding BPR Sliding Scale Payments		BPR Sliding Scale Payments	Net Benefit (or Burden) Including BPR Sliding Scale Payments	
	RS & PILT Payments (1)	Free Goods & Services (2)	Joint Use Facilities (3)	Total Benefits (4)	(5)	Amount (6)	Per Acre (cents) (7)	(8)	Amount (9)	Per Acre (cents) (10)
Mohave, Arizona	110,111	12,626	0	122,737	180,000	(57,263)	(1)	710,714	653,451	13
Yuma, Arizona	5,445	283	0	5,728	17,500	(11,772)	0	254,089	242,317	8
Johnson, Arkansas	28,225	16,812	0	45,037	26,000	19,037	10	0	19,037	10
Del Norte, California	618,526	12,395	0	630,921	0	630,921	140	0	630,921	140
Fresno, California	171,027	18,453	12,530	202,010	479,813	(277,803)	(25)	79,135	(198,668)	(18)
Nevada, California	88,484	6,720	64,350	159,554	45,500	114,054	73	26,073	140,127	89
San Bernardino, California	88,508	72,647	35,550	196,705	440,000	(243,295)	(3)	519,561	276,266	4
Trinity, California	985,394	57,829	14,349	1,057,572	96,700	960,872	65	25,083	985,995	67
Fremont, Colorado	1,874	1,250	0	3,124	0	3,124	1	17,644	20,768	4
Grand, Colorado	15,845	5,717	18,265	39,827	26,300	13,527	2	39,035	52,562	7
Gunnison, Colorado	50,886	7,395	1,750	60,031	53,000	7,031	0	40,358	47,389	3
Las Animas, Colorado	12,682	0	0	12,682	300	12,382	11	20,142	32,524	29
Mesa, Colorado	176.375	4,524	18,550	199,449	67,000	132.449	9	21,368	153,817	10
Moffat, Colorado	308,965	4,282	0	313,247	0	313,247	20	33,314	346,561	22
Montrose, Colorado	45,920	13,396	10,794	70,110	86,020	(15,910)	(2)	58,698	42,788	4
Rio Blanco, Colorado	312,114	12,638	0	324,752	160,500	164,252	11	1,120	165,372	11
Rio Grande, Colorado	16,551	5,500	0	22,051	41,000	(18,949)	(6)	1,817	(17,132)	(5)
Summit, Colorado	9,955	18,950	2,586	31,491	46,000	(14,509)	(5)	24,853	10,344	3
Clearwater, Idaho	123,024	3,841	1,689	128,554	47,200	81,354	10	10,120	91,474	11
Owyhee, Idaho	10,456	11,880	1,565	23,901	28,000	(4,099)	0	82,000	77,901	2
Gogebic, Michigan	33,024	9,912	106,645	149,581	51,000	98,581	36	0	98,581	36
Cass, Minnesota	18,969	4,793	20,600	44,362	120,000	(75,638)	(27)	0	(75,638)	(27)
Itasca, Minnesota	20,068	7,485	0	27,553	110,000	(82,447)	(28)	0	(82,447)	(28)
Lake, Minnesota	88,998	20,505	25,413	134,916	150,000	(15,084)	(2)	0	(15,084)	(2)
Marshall, Minnesota	11,386	592	1,620	13,598	22,804	(9,206)	(15)	0	(9,206)	(15)
St. Louis, Minnesota	64,798	68,270	7,660	140,728	220,000	(79,272)	(10)	0	(79,272	(10)
Garfield, Montana	42,048	6,300	780	49,128	13,400	35,728	3	114,112[2]	149,840	12
Lincoln, Montana	335,786	17,544	21,237	374,567	45,500	329,067	19	2,462	331,529	19

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TABLE NO. CS-5 (Continued)

NET IMPACT OF REVENUE SHARING AND PAYMENTS IN LIEU OF TAX PROGRAMS[1] IN 50 CASE COUNTIES, 1966

(In Dollars)

Case Counties	Direct Benefits: RS & PILT Payments (1)	Direct Benefits: Free Goods & Services (2)	Direct Benefits: Joint Use Facilities (3)	Direct Benefits: Total Benefits (4)	Local Financial Burden (5)	Net Benefit (or Burden) Excluding BPR Sliding Scale Payments: Amount (6)	Net Benefit (or Burden) Excluding BPR Sliding Scale Payments: Per Acre (cents) (7)	BPR Sliding Scale Payments (8)	Net Benefit (or Burden) Including BPR Sliding Scale Payments: Amount (9)	Net Benefit (or Burden) Including BPR Sliding Scale Payments: Per Acre (cents) (10)
Clark, Nevada	1,947	5,954	7,692	15,593	655,000	(639,407)	(14)	1,239,210	599,803	13
Elko, Nevada	34,002	13,632	13,578	61,212	316,500	(255,288)	(3)	8,498[3]	(246,790)	(3)
Carroll, New Hampshire	14,158	3,832	3,301	21,291	0	21,291	15	0	21,291	15
Coos, New Hampshire	19,664	743	4,459	24,866	0	24,866	12	0	24,866	12
Grafton, New Hampshire	32,429	7,510	7,347	47,286	0	47,286	14	0	47,286	14
Rio Arriba, New Mexico	39,332	32,218	0	71,550	0	71,550	4	0	71,550	4
Sierra, New Mexico	9,229	4,712	0	13,941	66,900	(52,959)	(4)	0	(52,959	(4)
Cherokee, North Carolina	57,011	428	0	57,439	0	57,439	65	0	57,439	65
Lake, Oregon	603,730	7,542	55,026	666,298	0	666,298	17	38,905	705,203	18
Lane, Oregon	4,779,356	20,360	33,998	4,833,714	1,160,428	3,673,286	215	102,662	3,775,948	222
Forest, Pennsylvania	60,242	18,171	0	78,413	5,000	73,413	64	0	73,413	64
Pennington, South Dakota	41,363	22,334	0	63,697	13,250	50,447	8	283,892	334,339	55
Angelina, Texas	28,509	679	10,125	39,313	0	39,313	38	0	39,313	38
Box Elder, Utah	5,233	11,044	6,479	22,756	62,750	(39,994)	(4)	156,020	116,026	11
Kane, Utah	21,256	28,064	7,243	56,563	0	56,563	3	0	56,563	3
Jefferson, Washington	459,292	4,898	3,536	467,726	75,000	392,726	57	2,418	395,144	58
Okanogan, Washington	215,516	275	6,069	221,860	0	221,860	14	21,672	243,532	15
Skamania, Washington	1,685,460	236	0	1,685,696	114,000	1,571,696	194	2,760	1,574,456	195
Stevens, Washington	66,713	11,725	0	78,438	0	78,438	26	32,508	110,946	38
Whatcom, Washington	464,510	125	6,425	471,060	0	471,060	54	92,075	563,135	65
Natrona, Wyoming	95 875	18,493	0	114,368	6,000	108,368	8	386,900	495,268	36
Sublette, Wyoming	56,797	4,046	174,514	235,357	21,800	213,557	9	27,590	241,147	10
Total - 50 Counties	12,587,068	639,560	705,725	13,932,353	5,070,165	8,862,188	--	4,476,808	13,338,996	--
Average - 50 Counties	251,742	12,791	14,114	278,647	101,403	177,244	13	89,536	266,780	19
Number of Counties:										
Below Average	40	34	38	40	38	39	32	40	36	33
Above Average	10	16	12	10	12	11	18	10	14	16
Range of Values - Low	1,874	0	0	3,124	0	(639,407)	(28)	0	(246,790)	(28)
High	4,779,356	72,647	174,514	4,833,714	655,000	3,673,286	215	1,239,210	3,775,948	222

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FOOTNOTES TO TABLE NO. CS-5

NET IMPACT OF REVENUE SHARING AND PAYMENTS IN LIEU OF TAX PROGRAMS[1/] IN 50 CASE COUNTIES, 1966

1/ Payments from all programs received by counties, except that revenues for Lane County, Oregon exclude Oregon & California (O&C) Railroad Grant lands. Other benefits and burdens were allocated for Lane County by the share of non-O&C programs to total county revenue sharing for all programs including O&C payments.

2/ Payment in 1966 exceeds that for the average year ($24,725).

3/ Payment in 1966 substantially below that for the average year ($469,463).

Source: Case County Digests

TABLE NO. CS-6

DIRECT BENEFITS[1] ACCRUING TO CASE COUNTIES COMPARED WITH ESTIMATED POTENTIAL TAX REVENUES HAD THE APPLICABLE FEDERAL LANDS BEEN TAXED AS IF PRIVATELY OWNED, 50 CASE COUNTIES, 1966

Case Counties	Total Direct Benefits from RS, PILT & In-Kind Programs[1] ($) (1)	Estimated Potential Tax Revenues from Federal Lands[2] ($) (2)	Difference Between Benefits & Pot. Tax Rev. (Col. 1 - Col. 2) ($) (3)	Per Acre Comparison: Total Benefits (cents) (4)	Per Acre Comparison: Estimated Potential Tax Revenues (cents) (5)	Per Acre Comparison: Difference Between Benefits & Pot. Tax Rev. (cents) (6)
Mohave, Arizona	122,737	247,742	(125,005)	2.33	4.70	(2.37)
Yuma, Arizona	5,728	284,198	(278,470)	.18	9.00	(8.82)
Johnson, Arkansas	45,037	67,824	(22,787)	23.88	35.96	(12.08)
Del Norte, California	630,921	192,233	438,688	140.20	42.72	97.48
Fresno, California	202,010	4,214,150	(4,012,140)	18.27	381.04	(362.77)
Nevada, California	159,554	112,344	47,210	101.62	71.55	30.07
San Bernardino, California	196,705	9,588,886	(9,392,181)	2.62	127.56	(124.94)
Trinity, California	1,057,572	634,189	423,383	71.72	43.01	28.71
Fremont, Colorado	3,124	52,806	(49,682)	.68	11.55	(10.87)
Grand, Colorado	39,827	207,336	(167,509)	5.62	29.27	(23.65)
Gunnison, Colorado	60,031	436,509	(376,478)	3.70	26.88	(23.18)
Las Animas, Colorado	12,682	15,849	(3,167)	11.16	13.95	(2.79)
Mesa, Colorado	199,449	179,575	19,874	13.27	11.95	1.32
Moffat, Colorado	313,247	131,102	182,145	19.90	8.33	11.57
Montrose, Colorado	70,110	160,195	(90,085)	7.30	16.69	(9.38)
Rio Blanco, Colorado	324,752	135,442	189,310	20.61	8.60	12.01
Rio Grande, Colorado	22,051	51,360	(29,309)	6.62	15.41	(8.80)
Summit, Colorado	31,491	42,414	(10,923)	9.92	13.37	(3.44)
Clearwater, Idaho	128,554	232,001	(103,447)	15.92	28.73	(12.81)
Owyhee, Idaho	23,901	398,459	(374,558)	.63	10.50	(9.87)
Gogebic, Michigan	149,581	251,840	(102,259)	54.20	91.26	(37.05)
Cass, Minnesota	44,362	126,408	(82,046)	15.66	44.63	(28.97)
Itasca, Minnesota	27,553	144,491	(116,938)	9.20	48.22	(39.03)
Lake, Minnesota	134,916	237,567	(102,651)	18.29	32.21	(13.92)
Marshall, Minnesota	13,598	45,215	(31,617)	22.26	74.01	(51.76)
St. Louis, Minnesota	140,728	248,580	(107,852)	18.41	32.52	(14.11)

TABLE NO. CS-6 (Continued)

DIRECT BENEFITS[1/] ACCRUING TO CASE COUNTIES COMPARED WITH ESTIMATED POTENTIAL TAX REVENUES HAD THE APPLICABLE FEDERAL LANDS BEEN TAXED AS IF PRIVATELY OWNED, 50 CASE COUNTIES, 1966

Case Counties	Total Direct Benefits from RS, PILT & In-Kind Programs[1/] ($) (1)	Estimated Potential Tax Revenues from Federal Lands[2/] ($) (2)	Difference Between Benefits & Pot. Tax Rev. (Col. 1 - Col. 2) ($) (3)	Per Acre Comparison Total Benefits (cents) (4)	Per Acre Comparison Estimated Potential Tax Revenues (cents) (5)	Per Acre Comparison Difference Between Benefits & Pot. Tax Rev. (cents) (6)
Garfield, Montana	49,128	65,726	(16,598)	5.42	7.25	(1.83)
Lincoln, Montana	374,567	621,850	(247,283)	21.39	35.52	(14.12)
Clark, Nevada	15,593	2,940,551	(2,924,958)	.52	98.73	(98.21)
Elko, Nevada	61,212	550,038	(488,826)	.78	7.00	(6.22)
Carroll, New Hampshire	21,291	151,420	(130,129)	14.68	104.43	(89.75)
Coos, New Hampshire	24,866	220,494	(195,628)	12.35	109.49	(97.14)
Grafton, New Hampshire	47,286	357,144	(309,858)	14.24	107.54	(93.30)
Rio Arriba, New Mexico	71,550	145,132	(73,582)	3.67	7.44	(3.78)
Sierra, New Mexico	13,941	40,108	(26,167)	1.16	3.34	(2.18)
Cherokee, North Carolina	57,439	79,843	(22,404)	64.73	89.98	(25.25)
Lake, Oregon	666,298	637,711	28,587	17.11	16.38	.73
Lane, Oregon	4,833,714	350,238	4,483,476	363.22	26.32	336.90
Forest, Pennsylvania	78,413	21,424	56,989	67.84	18.54	49.31
Pennington, South Dakota	63,697	828,709	(765,012)	10.40	135.36	(124.95)
Angelina, Texas	39,313	30,845	8,468	38.24	30.00	8.24
Box Elder, Utah	22,756	79,889	(57,133)	2.21	7.76	(5.55)
Kane, Utah	56,563	276,093	(219,530)	2.73	13.32	(10.60)
Jefferson, Washington	467,726	60,248	407,478	68.41	8.81	59.60
Okanogan, Washington	221,860	213,687	8,173	14.06	13.54	.52
Skamania, Washington	1,685,696	102,391	1,583,305	208.58	12.67	195.91
Stevens, Washington	78,438	25,598	52,840	26.65	8.70	17.95
Whatcom, Washington	471,060	94,460	376,600	54.44	10.92	43.53
Natrona, Wyoming	114,368	148,022	(33,654)	8.21	10.63	(2.42)
Sublette, Wyoming	235,357	172,440	62,917	9.73	7.13	2.60
Total - 50 Counties	13,932,353	26,652,776	(12,720,423)	19.87	38.01	(18.14)
Average - 50 Counties	278,647	533,056	(254,409)	19.87	38.01	(18.14)

See Page 3 for Footnotes and Source

FOOTNOTES TO TABLE NO. CS-6

DIRECT BENEFITS ACCRUING TO CASE COUNTIES COMPARED WITH ESTIMATED POTENTIAL TAX REVENUES HAD THE APPLICABLE FEDERAL LANDS BEEN TAXED AS IF PRIVATELY OWNED, 50 CASE COUNTIES, 1966

1/ Direct benefits include revenue sharing payments, payments in lieu of taxes, free goods and services and joint use facilities (see Table CS-5).

2/ Tax revenues from applicable Federal lands if the lands had been in private ownership.

Source: Case Study Digests.

TABLE NO. CS-7

EFFECT OF REVENUE SHARING AND PAYMENTS IN LIEU OF TAXES ON SECTION 10 LANDS ON LOCAL GOVERNMENT FINANCES

50 CASE COUNTIES, 1966

Case Counties	RS & PILT Payments1/ As Percent of County's Education & Highway Expenditures (%) (1)	RS & PILT Payments1/ As Percent of County's Total Expenditures (%) (2)	RS & PILT Payments1/ Per Capita ($) (3)	State Taxes and Local Property Taxes Per Capita ($) (4)	Effective Buying Income Per Capita ($) (5)
Counties Having Net Benefit2/					
Johnson, Arkansas	2.52	1.76	2.28	133.18	1,546
Del Norte, California	13.21	7.22	34.36	286.00	2,369
Nevada, California	1.82	0.76	3.47	299.14	2,479
Trinity, California	34.27	23.79	110.72	227.64	2,528
Fremont, Colorado	0.06	0.04	0.09	219.55	1,831
Grand, Colorado	1.47	1.06	4.40	406.34	2,240
Gunnison, Colorado	3.26	2.14	7.38	306.57	2,351
Las Animas, Colorado	0.38	0.30	0.78	245.10	1,407
Mesa, Colorado	5.60	1.63	3.32	293.18	2,024
Moffat, Colorado	13.81	8.20	44.14	387.59	2,733
Rio Blanco, Colorado	11.03	7.84	61.20	598.41	2,463
Clearwater, Idaho	9.00	6.07	13.37	236.84	2,178
Gogebic, Michigan	1.33	0.57	1.65	185.11	1,883
Garfield, Montana	8.17	4.62	20.02	351.69	1,620
Lincoln, Montana	13.76	10.93	23.98	235.28	2,108
Carroll, New Hampshire	0.53	0.31	0.91	343.55	2,304
Coos, New Hampshire	0.51	0.29	0.57	248.56	2,256
Grafton, New Hampshire	0.42	0.29	0.65	263.78	2,372
Rio Arriba, New Mexico	0.74	0.64	1.46	169.40	1,114
Cherokee, North Carolina	11.50	5.42	3.54	122.39	1,298
Lake, Oregon	25.92	19.38	94.33	307.00	2,352
Lane, Oregon	7.92	5.01	23.88	273.48	2,591
Forest, Pennsylvania	7.98	6.06	13.39	189.46	1,994
Pennington, South Dakota	0.52	0.33	0.63	241.09	2,634
Angelina, Texas	0.36	0.24	0.64	144.27	1,976
Kane, Utah	30.50	20.77	8.18	235.31	1,619
Jefferson, Washington	15.46	11.46	45.93	241.00	2,212
Okanogan, Washington	4.24	2.81	8.39	270.81	2,064
Skamania, Washington	78.21	51.15	295.70	248.02	2,445
Stevens, Washington	1.89	1.45	3.88	252.24	1,939
Whatcom, Washington	3.31	1.75	6.53	386.55	2,301
Natrona, Wyoming	0.84	0.26	1.75	336.85	2,668
Sublette, Wyoming	5.56	3.42	12.62	465.62	2,212
33 Counties Combined	6.77	3.90	13.50	269.72	2,271

TABLE NO. CS-7 (Continued) Page 2 of 2

EFFECT OF REVENUE SHARING AND PAYMENTS IN LIEU OF TAXES ON SECTION 10 LANDS ON LOCAL GOVERNMENT FINANCES
50 CASE COUNTIES, 1966

	RS & PILT Payments[1/]			State Taxes and Local Property Taxes	Effective Buying Income
	As Percent of County's				
Case Counties	Education & Highway Expenditures (%) (1)	Total Expenditures (%) (2)	Per Capita ($) (3)	Per Capita ($) (4)	Per Capita ($) (5)
Counties Having Net Burden[3/]					
Mohave, Arizona	3.44	2.07	8.10	507.48	2,035
Yuma, Arizona	0.06	0.02	0.09	334.86	1,929
Fresno, California	0.19	0.09	0.41	322.24	2,305
San Bernardino, California	0.06	0.03	0.13	295.71	2,423
Montrose, Colorado	1.08	0.60	2.33	233.70	1,505
Rio Grande, Colorado	0.73	0.22	1.45	262.07	1,387
Summit Colorado	1.11	0.81	5.86	453.01	2,104
Owyhee, Idaho	*0.94*	*0.64*	*1.74*	*259.67*	*1,817*
Cass, Minnesota	0.67	0.31	1.14	258.02	1,559
Itasca, Minnesota	0.22	0.12	0.58	383.82	1,935
Lake, Minnesota	2.96	2.21	6.90	201.59	2,318
Marshall, Minnesota	0.35	0.23	0.78	270.72	1,758
St. Louis, Minnesota	0.12	0.08	0.28	338.88	2,349
Clark, Nevada	0.01	a/	0.01	286.50	2,979
Elko, Nevada	1.30	0.61	2.39	357.52	2,494
Sierra, New Mexico	0.79	0.48	1.28	216.57	1,987
Box Elder, Utah	0.12	0.09	0.17	282.98	2,254
17 Counties Combined	0.19	0.10	0.40	308.68	2,396
All 50 Case Counties	2.26	1.24	4.70	295.89	2,355

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a/ Less than .005%.

1/ Represents only payments received by local governments in county from programs on section 10 lands.

2/ Net benefit means that RS and PILT payments exceed county expenditures caused by Federal lands; it does not consider the property tax loss.

3/ Net burden means that RS and PILT payments are less than county expenditures caused by Federal lands.

Sources: Case Study Tables No. C-1a, C-2 and C-4. Per capita data based on population and Effective Buying Income estimates in the Survey of Buying Power, Sales Management, 1967.

In the counties benefiting from the Federal sharing plus in kind and other benefits, the revenue sharing payments represented 3.9% of total local expenditures in 1966 and contributed $13.50 per capita toward those expenditures. Dramatically different in 17 counties where the burden of Federal lands exceeded the benefits received from Federal programs, revenue sharing represented only .1% of the total local expenses, or $0.40 per capita.

The earmarking provisions of the applicable Federal laws channel almost all Federal revenue sharing payments into roads and school programs at the state and local level. In the 33 counties, the payments accounted for an average of 6.8% of the local expenditures for such purposes, exhibiting a wide range from as low a share as .06% in Fremont Colorado, to as high a contribution as 78.2% in Skamania, Washington. The 17 counties where expenses are greater than benefits, sharing payments on the average amounted to only .2% of these counties' expenditures for educational and highway purposes; the Federal sharing payments varied from a low of .01% in Clark, Nevada, to 3.4% in Mohave County, Arizona.

There is very little correlation for the 50 counties between the sharing payments and the total tax load upon the county residents or the income of the residents. Statistically, in 1966, the data indicated a slight tendency for revenue sharing payments to be higher when per capita disposable income was greater than the average per capita income for all counties.

Considering the interrelationship of the payments to total tax load per capita, it is apparent that in 1966, 19 of the 33 counties whose benefits exceeded the local burden received sharing payments of less than 3% of the tax load. Out of the 17 counties where the local burden of Federal property was greater than the benefits, 16 also received payments amounting to less than 3%. It is significant that these 35 counties receiving payments of less than 3% have total tax loads of from $133 to $507 per capita and that 18 of them, or 72%, are subject to tax loads between $250 and $375 per capita. This indicates that there is also no meaningful correlation between these payments and the tax load in the counties even after constraining the comparison within a 3% range.

Both property taxes and revenue sharing payments in 1966 were less important sources of revenue in the 50 case counties than they were six years earlier in 1960. This means that for these counties as a group, there was a lessening dependency on these sources of revenue than in the past. The importance of property taxes, as reflected by the percentage of total county revenues which they represented in 1966 as compared with 1960, declined 6%, on average, for the entire 50 counties. The PILT and RS payments also declined, by 20%, in their percentage contribution to the aggregated county revenues. Declines were not apparent in each county over the six-year period, however, but were characteristic of the situation in more than half of the counties. This can easily be seen in the following compilation which shows the relative change in dependency.

Change in Dependency Relative to Total Revenues
1960-1966

Property Tax % of Total Revenue	PILT and RS % of Total Revenue	Number of Counties
Less (-)	Less (-)	21
Less (-)	More (+)	8
More (+)	Less (-)	13
More (+)	More (+)	6
Same	Less (-)	1
More (+)	Same	1
Totals		50

For the group of 50 case counties, the contribution of property taxes to total revenues dropped from 40.8% in 1960 to 38.4% in 1966, a decline of 5.9%. In 29 counties the dependency upon property taxes in 1966 was less than in 1960. There was considerable variation in degree ranging from -.9% in Skamania, Washington to as much as -32.2% in Angelina, Texas. One county, Pennington, South Dakota, exhibited no change in the proportion property taxes were of total county revenues. The remaining 20 counties, over the six-year period, made greater use of property taxes as a source of revenues, with the lowest increase, .4%, in Marshall, Minnesota, and the highest 61.5%, in Box Elder, Utah.

PILT and RS by the Federal government in the 50 counties as a share of total revenues declined, on the average, from 1.53% in 1960 to 1.22% in 1966. This is indicative of the overall comparatively small impact of such payments upon the revenue needs of counties. The averages, however, hide the fact that in certain counties the PILT and RS payments represent a very significant contribution to their revenues. In 1960, the payments in six counties accounted for more than 10% of the total revenues, ranging from 10.74% in Clearwater, Idaho, to 46.88% in Skamania, Washington. By 1966, only in four of these counties were the payments still exceeding 10% of revenues and their share had dropped. As already mentioned, only in "isolated cases" did the absolute proceeds from PILT and RS increase over this study period at a rate commensurate with the gains in most, if not all, other revenues (and for that matter expenditure categories).

An interesting observation is the fact that the 1966 PILT and RS payments in counties located in public land states, as defined, obtained an average of 13¢ per acre in PILT and RS payments as compared with the counties in nonpublic land states where these payments averaged 5¢ per acre. If to the former counties the allocated share of Sliding Scale Highway Benefits are added, the average revenue per acre amounts to 20¢ or four times as much as those in the nonpublic land state counties.

E. County Expenditures

During the last six years of the study period, 1961-1966,[1] expenditures of county governments, as defined by the Bureau of the Census, in the U. S. have increased by about 44% or 34.8% per capita. These growth rates apply to some impressive absolute amounts and reflect equally impressive annual growth rates, 7.6% and 6.2% respectively, for the mentioned period. Large as these growth rates are, expressed as a percentage of effective buying income, the increase for the period 1960-1966 is a mere 3.1%, reflecting the tremendous increase in the population affluence.

For the 50 case study counties, some fairly large deviations from the national averages were found. However, as in so many of the comparisons drawn in this study, no uniform pattern has emerged. The scarcity in compatible expenditure data for the 50 counties has limited the analyses of data to three categories: (1) education, (2) highway, and (3) other. The following table contains 50 county summaries which are compared with figures for the U. S.

Expenditures in 50 Case Study Counties and the U. S.

	Actual Expenditures			
	Education	Highways	Other	Total
Counties, 1960 ($000)	296,500	44,345	264,532	605,377
Counties, 1966 ($000)	486,886	75,844	464,749	1,027,479
Rate of Change (%)	64.2	71.0	75.7	69.7
U. S. Rate of Change (%)	53.2	15.0	41.8	44.4

	Expenditures Per Capita			
	Education	Highways	Other	Total
Counties, 1960 ($)	128.87	19.28	114.91	263.06
Counties, 1966 ($)	182.00	28.36	173.65	384.01
Rate of Chage (%)	41.2	47.1	51.1	46.0
U. S. Rate of Change (%)	43.1	7.4	32.5	34.8
Counties' Annual Growth Rate (%)	5.9	6.6	7.1	6.5
U. S. Annual Growth Rate (%)	7.4	1.4	5.8	6.2

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[1] Comparisons with 1960 and 1961 are made, rather than 1957, because of the incompleteness of PILT and RS data for the earlier years. All data used and computations made from EBSMC resource data bank.

Expenditures in 50 Case Study Counties and the U. S.

	Expenditures Per $100 EBI			
	Education	Highways	Other	Total
Counties, 1960 ($)	6.90	1.03	6.15	14.09
Counties, 1966 ($)	7.73	1.20	7.37	16.31
Rate of Change (%)	12.0	16.5	19.8	15.8
U. S. Rate of Change (%)	9.4	-18.4	1.5	3.1

	Relative Share of Expenditures			
	Education	Highways	Other	Total
Counties, 1960 (%)	48.99	7.33	43.68	100.00
Counties, 1966 (%)	47.39	7.38	45.22	100.00
Rate of Change (%)	-3.3	0.7	3.5	--
U. S. Rate of Change (%)	6.1	-20.4	-1.8	--

Several lessons can be learned from these statistics and comparisons. Not only did the case counties exceed the national growth rate in total expenditures, 69.7% versus 44.4%,but they exceeded the rate of increase, in absolute terms in each category and most prominently in the highway category, where a ratio of almost 5 to 1 is shown. This is inevitably a product of the predominently rural character of these counties in which road building programs have been lagging for years and upon whose development these counties' economies are relying more and more.

Reflecting the above average population growth in the case counties, the per capita growth figures for the various expenditure categories reflect a lesser rate of increase though they too - except for education - exceed the U. S. averages. It appears here that what has already been mentioned in Part 2 of this report specifically applies to these counties, namely, that not only the quality of education in these counties is impaired by revenue deficiencies but also the quantity. Following through on this item, it is seen that it is the only one for which a lesser share of total county expenditures was devoted in 1966 than in 1960. Concomitantly, however, its cost in terms of the population's EBI has increased appreciably and substantially more than for the "average U. S. citizen". All this is so relevant because such a large share of the revenue sharing payments are earmarked for this purpose. It seems then that despite the payment of 50 earmarked funds, there existed an appreciable deficiency as expressed in the less than average increase in expenditures for education. Certainly, there is no doubt as to the existence of the need or demand. Only in isolated cases was it found that these counties had a lagging rate of increase in their school populations and in quite a few a rate exceeding the population increase, as it would be for the U. S. as a whole during that time period, was found.

Reverting once more to earmarked funds categories, the highway expenditure should be emphasized. For the U. S. the share of this item of total expenditures has appreciably declined, by 20.4%, while for these case counties it has slightly increased to where in 1966 an average $7.38 in every $100 of county expenditures were dedicated to that purpose. The relatively large increase in highway expenditures is facilitated by the public land related payments in Sliding Scale Highway Aid participating states. As mentioned in the preceding section (page 97), those counties obtained an average of 7¢ per acre from this source (the difference between the stated 13¢/acre excluding sliding scale and the 20¢/acre including sliding scale; Table No. Cs-5 shows a difference of 6¢/acre. This is due to rounding). But more important to all these counties is the substantial Federal non-public land related highway construction aid from which they obtained - through their state governments - a much larger share of the program costs.

Finally, the large increase in "other" expenditures is known to include heavy expenditures for welfare and health services at the county level. It was pointed out in several of the county digests that heavy welfare, health care and related expenditures were incurred in public land intense counties, partly as a result of seasonal employment in the forests and on Federal construction and reclamation projects. Conversely, it was not found in any county that a specific form of reimbursement or compensation was provided to these counties by a land related program. Yet it was shown in the case state studies that the states absorbed a heavier burden for these counties than for their "average" counties.

As said so often, the statistics reflecting the averages for these increases are easily misleading. As the data in the data bank have shown, there are wide variations amongst the various counties. Examining whether there existed a relationship between PILT and RS and the below average increase in per capita expenditures for education, it is found that from among nine randomly picked case counties in which the per capita rate of increase was less than the 41.2% average for the 50 counties, only six had below average per acre PILT and RS payments in 1966; one county Moffat, Colorado obtained an average 20¢/acre in PILT and RS but showed a 21.2% growth rate in expenditures for education or about one-half of the 50 county average. Del Norte, California, with the highest rate per acre from among the counties examined - those nine with below average increases in per capita expenditures for education - showed receipts of $1.40/acre, but its increase in expenditures was only 28.7% or about 2/3 the average. At the low end of the PILT and RS receipts scale, Garfield, Montana with only 5¢/acre had an expenditure increase of 24.2% or just a little over half the average. Hence, while there is no correlation between the rate of PILT and RS per acre and the level of expenditures for education, a partial pattern does exist in that a larger number of counties in this sample, which receive below average per acre payments, are among those whose rate of increase is also less than the average.

The conclusions already stated in respect of the case states apply also to the case counties. The revenue deficiencies in these public land intense states are evident; they are manifested partly from statistics and partly from the information gathered in the interviews with the appropriate officials. On balance, it seems that the average situation is not quite as bad as many county officials would have one believe; however, in those counties with relatively low value lands, such as the majority of the Colorado counties, the severe revenue deficiencies are amply manifested in the relatively low quality and quantity of available public services. This is not to say that similar deficiencies might not exist if these lands with their low productivity were in private ownership. Then, though, they would have to be taxed, and in Montrose, Colorado, for example, would yield an estimated 17¢/acre to 26¢/acre as compared with the 7¢/acre from PILT and RS in 1966.

F. PILT and RS in Case Counties Vs. Property Tax and Summation

Though already mentioned in the preceding section, it is vital to focus once more on the disparity between accrued payments under the current PILT and RS system and property tax revenues which might accrue to the counties if the lands were taxed. Table No. CS-6 following page 96 contains that comparison and the resulting figures have been mentioned previously. However, there are two types of potential discrepancy in the analyses made which should now be identified and discussed.

The estimated potential tax revenues from Federal lands as contained in column 2 in Table No. CS-6 are the figures shown in Table No. CS-8 in each of the case county digests (Appendix No. 3). As mentioned in the description of the study methods, these estimates for the potential tax revenue were prepared on the basis of considerable specific inputs in terms of land classes, acreages to which they apply, and the prevailing tax rates in the county, exclusive of municipal levies which generally do not apply to the taxing districts in which these lands are located. As part of the Resource Study, Part 2 of this report, and the 1966 test of the potential effects of Alternative No. 1, Part 4 of this report, an estimate for the potential property tax was derived on a different and far more generalized basis. Both estimates are not only subject to significant variations from the figures which would result from a parcel-by-parcel assessing effort and the application to such of the specific tax rates for each taxing district, but it was observed during the course of this study and the preparation of the potential tax revenue estimates specifically that considerable variations exist between the figures arrived at in each of the two estimates prepared. The more generalized estimate in the Resource Study, as might be recalled, was prepared on a state basis rather than a county basis, employing computed state average tax rates. It follows that there should be variations between this estimate for the lands in any one state and that estimate which is prepared on a county-by-county basis and which reflects the county tax rate rather than a state average. To demonstrate the differences resulting from the two approaches for the 50 case counties, Table No. CS-8 was prepared. While there are substantial differences among the various county estimates, it is interesting to observe that the average for the two estimates varies by only 1¢ per acre, the specific estimate showing an average of 44¢, and the generalized estimate showing an average of 45¢.

The focal point of this discussion is to note that this study has provided a valid basis upon which it can be said that for all Federal lands, in the aggregate, taxing of the Federal lands would result in substantially larger revenues for state and county governments. Based on the figures in Table No. CS-6, it is reasonable to support the contention that taxing at prevailing state and county rates would result in almost twice the benefits obtained now from the current PILT, RS and in-kind assistance programs. These are average and aggregate potential results. The effects of taxation would also be the opposite for a fair number of counties as well as entire states. Typically, the counties with highly productive lands, such as Lane, Oregon and Skamania, Washington, would suffer the worst blow. This is no surprise when it is recognized that ad valorem taxes do not generally reflect the economic activity upon the taxed lands, as does revenue sharing but, rather, reflects in the assessed value calculation a measure of the surface value of the land or, at most, the current market value, and there should be no great difference between these two. The important segment of value in the Federal lands is contained either below the surface or in the trees above the surface, hence the surface valuation method typically does not reflect either of the two great value components from which such counties as Lane and Skamania have derived the greatest benefit.

It appears that the issue of the potential losses in revenues to states and counties as a result of direct taxation of the lands or payments of in lieu taxes is not necessarily as critical an issue as the revenue deficiency experienced by those states and counties which have large Federal land holdings of low economic productivity. The tree growth tax in Minnesota and the severance tax in New Hampshire are examples of the type of taxation which states are authorized to levy in order to reach other than pure surface values of land. This type of taxation could not only become the substitute for a potential loss in the amount of revenue sharing available to those counties for which positive figures are shown in column 3 of Table No. CS-6 but also it should be borne in mind in considering a more equitable distribution of the revenues collected from the Federal lands. The difference between a direct tax or in lieu tax approach is the potential cost to the Federal government. Under a direct tax approach and on the basis of the county estimates, the cost to the Federal government, as compared with the present system, could double. Under an in lieu tax approach, the available revenues and potentially the same amount which is currently being shared might be redistributed on the basis as analyzed in depth in Alternative No. 1. The conclusion can be reached that a more equitable distribution to states and counties, whereby the gaps in revenue deficiencies are narrowed, can be obtained without an increase in the cost to the Federal government and avoiding financial catastrophe in those counties in which the current receipts exceed the potential in lieu tax.

TABLE NO. CS-8 Page 1 of 2

ESTIMATED POTENTIAL TAX REVENUES PER ACRE FROM PUBLIC LANDS IN 50 SELECTED CASE COUNTIES, 1966

(In Cents)

	Tax Per Acre		Difference in Tax Per Acre Plus (Minus)
Case Counties	Case Study Data[1]	Estimated Potential State Average[2]	
	(1)	(2)	(3)
Mohave, Arizona	5	30	25
Yuma, Arizona	9	30	21
Johnson, Arkansas	36	35	(1)
Del Norte, California	4	106	102
Fresno, California	484	106	(378)
Nevada, California	72	106	34
San Bernardino, California	128	106	(22)
Trinity, California	43	106	63
Fremont, Colorado	12	26	14
Grand, Colorado	29	26	(3)
Gunnison, Colorado	27	26	(1)
Las Animas, Colorado	14	26	12
Mesa, Colorado	12	26	14
Moffat, Colorado	8	26	18
Montrose, Colorado	17	26	9
Rio Blanco, Colorado	9	26	17
Rio Grande, Colorado	15	26	11
Summit, Colorado	13	26	13
Clearwater, Idaho	29	28	(1)
Owyhee, Idaho	10	28	18
Gogebic, Michigan	91	11	(80)
Cass, Minnesota	45	17	(28)
Itasca, Minnesota	48	17	(31)
Lake, Minnesota	32	17	(15)
Marshall, Minnesota	74	17	(57)
St. Louis, Minnesota	32	17	(15)
Garfield, Montana	7	19	12
Lincoln, Montana	36	19	(17)
Clark, Nevada	99	14	(85)
Elko Nevada	7	14	7
Carroll, New Hampshire	104	6	(98)
Coos, New Hampshire	110	6	(104)
Grafton, New Hampshire	107	6	(101)
Rio Arriba, New Mexico	7	9	2
Sierra, New Mexico	3	9	6
Cherokee, North Carolina	90	8	(82)
Lake, Oregon	16	180	164
Lane, Oregon	26	180	154
Forest, Pennsylvania	18	6	(12)
Pennington, South Dakota	135	42	(93)

TABLE NO. CS-8 (Continued) Page 2 of 2

ESTIMATED POTENTIAL TAX REVENUES PER ACRE FROM PUBLIC LANDS IN 50 SELECTED CASE COUNTIES, 1966

(In Cents)

Case Counties	Tax Per Acre Case Study Data[1] (1)	 Estimated Potential State Average[2] (2)	Difference in Tax Per Acre Plus (Minus) (3)
Angelina, Texas	30	11	(19)
Box Elder, Utah	7	13	6
Kane, Utah	13	13	0
Jefferson, Washington	9	126	117
Okanogan, Washington	14	126	112
Skamania, Washington	13	126	113
Stevens, Washington	9	126	117
Whatcom, Washington	11	126	115
Natrona, Wyoming	11	17	6
Sublette, Wyoming	7	17	10
Total - 50 Counties	2,187	2,256	69
Average - 50 Counties	44	45	1
Number - Below Average	36	38	--
Above Average	13	12	--
Range - Low Value	3	6	--
High Value	484	180	--

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[1] Based on weighted average county tax rates excluding municipal levies.

[2] Statewide average of state and local governments compared with each case county.

Source: Col. 1 - Case County Digests.

Col. 2 - Table No. ALT-1e, covering Section 10 lands only.

Col. 3 - Col. 2 less Col. 1.

IV. State and Local Governments' Financial Burdens Due to the Presence of Public Lands

A. Background

One of the specific purposes of this study was to identify the types of financial burdens upon state-local governments due to the presence of Federal lands in their jurisdictions. Furthermore, it was desired to quantify the magnitude of such financial burdens.

The principal difficulties in accomplishing these objectives were the relative lack of data in the records of state and local governments for expenditures which are made specifically for the benefit of or relating to public lands. In the latter context, expenditures made by governments due to certain uses of Federal lands would have to be included in order to obtain a comprehensive representation. For example, the uses of Federal lands, such as national parks and monuments, for recreational purposes can normally be expected to result in the provision of state and/or local law enforcement, health services and other protective services which would not be required if these lands were used for purposes which do not result in large numbers of visitors. The difficulty in assigning proper incremental costs, i.e. the identification of the financial burden, is two-fold. First, it is rather difficult to ascertain the share of a police department's annual expenditures which is allocable to the services rendered by it to visitors of Federal lands. Second, to the extent that such visitors travel through and visit non-Federal properties, if the cost of providing services there were properly identifiable, they might also be allocated to the Federally-caused burden because, if it were not for the Federal lands, such visitors might not visit the non-Federal areas, and the incremental costs of public services might not be incurred.

Whereas the preceding discussion relates to the cost of providing a variety of "direct" public services, there is also a need to investigate the "indirect" area of financial burdens. These indirect financial burdens are reflected in above-average Federal and state subventions to Federal land intense areas because of the socioeconomic conditions prevailing in the areas and as a result of Federal realty. To do justice to this need, a full investigation of the overall economic effects of Federal lands in each sub-economy would be required, an effort clearly beyond the scope of this study. However, though no proof could be offered to the effect that above-average subventions to local governments in Federal land intense areas are caused either partly or entirely by the existence of the Federal lands, it appears reasonable to assume that such might be the case. This is so because the Federal land intense areas are characteristically rural in nature, have low population densities coupled with great distances between the locations of schools, hospitals, correctional institutions, etc., and the populations they serve. Such characteristics are conducive to above-average costs in providing public services and below-average governmental revenues per capita served.

B. Findings

The case study digests, contained in Appendix No. 3 of this report, provide information on the categories and the amounts of expenditures by state and local governments which could reasonably be identified as being incurred due to the presence of public land. It should not be understood, though, that it is suggested that such financial burdens might not exist if the lands were in private ownership. The point is made that certain expenditures appear to be allocable to services which are being rendered for the benefit of or relating to the Federal lands and that such expenditures might also be incurred if the lands were in other ownership and utilized for the same purposes. Additionally the point should be made that if these lands were in private ownership it might be assumed that the owners might be taxed, directly or indirectly, for the cost of providing the public services.

In 36 of the 50 case county studies it was possible to identify the categories and amounts for the public services provided for or related to Federal lands. The categories included law enforcement, road construction and maintenance, fire protection, health and other protective services, process of law and confinement. For the 50 counties, an average annual financial burden of about $101,000 was identified. Only 12 of the 36 counties incurring such burdens incurred them at levels above the average. The largest financial burden was identified for Lane County, Oregon[1] amounted to an estimated $1.16 million; however, this reflected, for the most part, a "voluntary" commitment to road construction and maintenance which, according to county officials, provided a good return on the investment because it facilitated increased and improved timber logging operations. Not so, in Clark County, Nevada, where annual financial burdens of $655,000 were identified and all of which were made because county officials were compelled to provide the publi services though the 1966 benefits from the public lands, RS and in kind but excluding BPR sliding scale allocations to the county, amounted to a mere $15,600 As can be seen from Table No. CS-5 following page 96, the identified financial burdens have resulted in a "disbenefit" in 17 of the 50 case counties, i.e. the financial burden exceeded the 1966 PILT, RS and in kind benefits to these counties. Thus, Clark County, Nevada, incurred an estimated net disbenefit of over $639,000 while San Bernardino County, California, despite total direct benefits of almost $197,000, incurred a net disbenefit of over $243,000.

The analyses of indirect state burdens were limited to the five case states. Due to the limitations of available data, it was not possible to measure the per capita levels of Federal and state grants for the three major categories, public schools, roads and highways, and health and welfare, in all five states. Only in one case, state assistance to public schools in Federal land intense counties in Washington, was it found that the per capita payment was less than for the entire state. In all other cases, the per capita payments to public land intense counties, i.e. the case counties in these states, were from 19% to 178% higher than for the entire state. In Colorado, for example, the combined per capita payments for public schools, roads, and highways and health and welfare were 67% higher than the state average. The comparable figures for Minnesota and California were 26% and 23% respectively.

1/ A county containing considerable O&C lands.

V. In Kind Benefits

A. In Kind Benefits, Quantified

In kind benefits provided by the Federal land management agencies to state-local governments can best be described by separating between those for which monetary values are quantifiable and those, essentially the provision of various services, for which the value cannot be quantified, at least not within the scope of this study. As explained in Part I and Appendix No. 1 of this report, Federal land management agencies have considerable latitude in making available to state-local governments goods and services either without any financial consideration or with only partial payment for such.

In the 50 case counties it was found that all but one have obtained in kind benefits of one or more types of quantifiable nature. Thus, the case county digests contain the appropriate information, including an estimate of the value of the goods and services made available to local governments net of any reimbursement. Table No. CS-9 following contains a summary of the quantified in kind benefits for the 50 case counties (Las Animas County, Colorado, is shown as zero). The interesting point to observe is that, while for the 50 counties the in kind benefits averaged 10.69% of the PILT and RS received by these counties in 1966, the value of the in kind benefits for several of the counties is far in excess of the PILT and RS obtained by them. For example, Clark County, Nevada, with a large quantity of Federal land and virtually no PILT and RS payments, in 1966 received an estimated $13,646 of in kind benefits, a figure which equals over 700% of the PILT and RS received by it.

Analysis of the relationship in the magnitude of quantified in kind benefits to PILT and RS payments suggested that perhaps in those counties where PILT and RS payments yielded relatively little, the Federal agencies attempted to compensate for the local revenue deficiency by permitting a more liberal provision of in kind services. However, no consistent pattern for such a suggestion was found. There are several cases in which the results support the suggestion. San Bernardino, California, for example, for which a "net burden" was shown, has received in kind benefits equal to 122% of the 1966 PILT and RS payments. Contrarily, Sublette, Wyoming, for which the in kind benefits amounted to 314% of the RS and PILT payments, is a county in which the 1966 PILT and RS payments exceeded the estimated potential tax revenue from the Federal lands if they were in private ownership (see Table No. CS-6).

Overall, it appeared that the Forest Service customarily provides more in kind benefits than any of the other agencies. The joint use, i.e. use of Federal facilities by state-local governments, is of lesser magnitude, in terms of financial value than the free use of land and Federally constructed

TABLE NO. CS-9

"IN-KIND" BENEFITS RECEIVED IN 1966 BY 50 CASE COUNTIES IN ADDITION TO PAYMENTS UNDER REVENUE SHARING AND PAYMENTS IN LIEU OF TAX PROGRAMS

Case Counties	Total "In-Kind" Benefits		By Kind of Goods and/or Services Received				Supplying Agencies
	Amount[1/] ($) (1)	% of RS & PILT Payments[2/] (%) (2)	Land ($) (3)	Construction Materials ($) (4)	Roads ($) (5)	Use of Other Fed. Facilities ($) (6)	(Program Code No.)[3/] (7)
Mohave, Arizona	12,626	11.47	10,998	1,628	0	0	B1, C1, C4
Yuma, Arizona	283	5.20	190	93	0	0	C4
Johnson, Arkansas	16,812	59.56	1,022	500	0	15,290	B1, E1
Del Norte, California	12,395	2.00	11,765	630	0	0	B1
Fresno, California	30,983	18.12	18,403	50	8,530	4,000	B1
Nevada, California	71,070	80.32	3,100	0	53,450	14,520	B1
San Bernardino, California	108,197	122.25	56,507	1,325	21,960	28,405	B1, C4
Trinity, California	72,178	7.32	34,840	339	11,740	25,259	B1, C1, C4
Fremont, Colorado	1,250	66.70	1,250	0	0	0	B1
Grand, Colorado	23,982	151.35	612	3,750	19,399	221	B1, C4
Gunnison, Colorado	9,145	17.97	6,770	440	1,750	185	B1, C4
Las Animas, Colorado	0	0.00	0	0	0	0	--
Mesa, Colorado	23,074	13.08	1,957	2,567	4,650	13,900	B1, C4
Moffat, Colorado	4,282	1.39	2,257	2,025	0	0	C4
Montrose, Colorado	24,190	52.68	5,062	8,114	10,794	220	B1, C4
Rio Blanco, Colorado	12,638	4.05	10,813	1,675	0	150	B1, C4
Rio Grande, Colorado	5,500	33.23	500	5,000	0	0	B1, C4
Summit, Colorado	21,536	216.33	18,950	0	2,352	234	B1
Clearwater, Idaho	5,530	4.50	2,225	716	1,689	900	B1
Owyhee, Idaho	13,445	128.59	3,905	7,975	1,565	0	C4
Gogebic, Michigan	116,557	352.95	1,844	2,068	112,645	0	B1
Cass, Minnesota	25,393	133.87	593	4,200	20,600	0	B1
Itasca, Minnesota	7,485	37.30	885	6,600	0	0	B1
Lake, Minnesota	45,918	51.59	1,590	2,150	26,613	15,565	B1
Marshall, Minnesota	2,212	19.43	0	250	342	1,620	C2
St. Louis, Minnesota	75,930	117.18	0	11,400	44,240	20,290	B1

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TABLE NO. CS-9 (Continued)

"IN-KIND" BENEFITS RECEIVED IN 1966 BY 50 CASE COUNTIES IN ADDITION TO PAYMENTS UNDER REVENUE SHARING AND PAYMENTS IN LIEU OF TAX PROGRAMS

Case Counties	Total "In-Kind" Benefits		By Kind of Goods and/or Services Received				Supplying Agencies
	Amount[1/] ($) (1)	% of RS & PILT Payments[2/] (%) (2)	Land ($) (3)	Construction Materials ($) (4)	Roads ($) (5)	Use of Other Fed. Facilities ($) (6)	(Program Code No.)[3/] (7)
Garfield, Montana	7,080	16.84	6,300	0	780	0	C2, E1
Lincoln, Montana	38,781	11.55	17,544	0	21,237	0	B1
Clark, Nevada	13,646	700.87	4,929	1,000	0	7,717	C1, C2, C4
Elko, Nevada	27,210	80.02	12,066	1,566	6,379	7,199	B1, C2, C4
Carroll, New Hampshire	7,133	50.38	3,832	0	0	3,301	B1
Coos, New Hampshire	5,202	26.45	743	0	0	4,459	B1
Grafton, New Hampshire	14,857	45.81	7,510	0	0	7,347	B1
Rio Arriba, New Mexico	32,218	81.91	16,277	15,855	0	86	B1, C4
Sierra, New Mexico	4,712	51.06	1,168	0	0	3,544	B1, C4
Cherokee, North Carolina	428	0.75	428	0	0	0	B1
Lake, Oregon	62,568	10.36	1,242	6,300	54,646	380	B1, C2, C4
Lane, Oregon	54,358[4/]	1.14	14,813	18,253	21,190	102	B1, C4
Forest, Pennsylvania	18,171	30.16	8,038	0	0	10,133	B1
Pennington, South Dakota	22,334	54.00	13,934	0	0	8,400	B1, C4
Angelina, Texas	10,804	37.90	613	66	10,125	0	B1, E1
Box Elder, Utah	17,523	334.86	654	10,000	1,324	5,545	B1, C4
Kane, Utah	35,307	166.10	10,064	18,000	7,243	0	B1, C4
Jefferson, Washington	8,434	1.84	3,244	0	4,690	500	B1
Okanogan, Washington	6,344	2.94	227	0	5,347	770	B1
Skamania, Washington	236	0.01	0	0	24	212	B1
Stevens, Washington	11,725	17.58	30	0	11,690	5	B1, C2
Whatcom, Washington	6,550	1.41	0	0	0	6,550	B1
Natrona, Wyoming	18,493	19.29	17,672	821	0	0	C4
Sublette, Wyoming	178,560	314.38	2,641	1,375	97,116	77,428	B1, C4
Total - 50 Counties	1,345,285	10.69	340,007	136,731	584,110	284,437	
Percent of Total	100.00	--	25.27	10.16	43.43	21.14	

See Page 3 for Footnotes and Source

FOOTNOTES TO TABLE NO. CS-9

"IN-KIND" BENEFITS RECEIVED IN 1966 BY 50 CASE COUNTIES IN ADDITION TO PAYMENTS UNDER REVENUE SHARING AND PAYMENTS IN LIEU OF TAX PROGRAMS

1/ Represents annual value of free goods and services and facilities jointly used.

2/ Percentages based on payments received on both section 10 and nonsection 10 lands, excluding O&C lands lands in Lane County, Oregon.

3/

Program Code No.	Agency Name
B1	Forest Service, U. S. Department of Agriculture
C1	Bureau of Reclamation, U. S. Department of Interior
C2	Bureau of Sport Fisheries and Wildlife, U. S. Department of Interior
C4	Bureau of Land Management, U. S. Department of Interior
E1	Corps of Engineers, U. S. Department of the Army

4/ Represents the in-kind benefits on non-O&C lands.

Source: Case Study Digests.

and maintained roads and bridges. However, if a calculation were made of the cost to construct and maintain state-local government owned facilities for the exclusive use by these governments, it would undoubtedly be found that, due to the economies of size, the cost to the state-local governments would far exceed the calculated benefits presently derived by their joint use of Federal facilities.

At the state level data on the provision of quantifiable in kind benefits are less accurate and suggest an even smaller overall magnitude. Because the states generally do not retain the PILT and RS payments, except for those few instances identified, relating the value of in kind benefits obtainable to states to PILT and RS payments is not germane.

B. Non-Quantifiable In Kind Benefits

The Federal land management agencies provide states and various levels of local governments, i.e. counties, special districts, multi-county and regional units, with a variety of professional services for which usually no payment is made to the Federal agencies. During the course of the many interviews conducted in this study, officials from these levels of government stated that the expertise found among Federal employees in such fields as forest management, development and management of recreational facilities, water conservation, topographical mapping and land surveying, and many more, could neither be provided by their own staffs nor could they afford the purchase of these services from others. No one appears to have a sufficient body of records which would permit quantification of the value of these services. It can merely be stated that, consistently, non-Federal officials confirmed that the provision of these free services is vital to their public activities and that their monetary value, if known, would be substantial.

The inability to quantify the value of the professional services provided by Federal land management agencies for the benefit of non-Federal lands is of serious concern in context with an objective evaluation of the overall impact upon state-local governments from the present PILT and RS system. Generically, the provision of in kind benefits is not the same as the payment of shared revenues or in lieu taxes. Yet, the same body of laws which provides for the latter also permits the former. The agencies' practices supported the contention that they are interrelated, though, as stated in A above, there is no consistent pattern which would suggest that the provision of free services is intended to compensate for payment deficiencies. The problem becomes even more complex when approached in context with other indirect benefits accruing to state-local governments from the Federal land management activities. Though beyond the scope of this study, it is inevitable that the question must be faced; "What is the overall value of Federal land management?", as compared with the direct and in kind benefits alone which have been covered in this study.

VI. Effects of Sharing Net Revenue Versus Gross

A. Applicable Programs

Among state and local government officials the notion prevails that Federal agencies make certain deductions from gross receipts, from the sale of market value goods, prior to calculating the revenues available for sharing with these units of government. Though in practice this notion is correct, the loss pertaining to these programs does not refer to deductions from gross receipts. The most prominent of these laws is the Knutson-Vandenberg (K-V) Act.[1/] It specifies: "The Secretary may require any purchaser of National Forest timber to make deposits of money in addition to the payment for timber, to cover the cost to the U. S. of planting, ..." As explained in Legal Digest (LB), the actual practice is for the Forest Service to estimate the cost of reforestation applicable to a specific timber sale and, in order to obtain from the timber purchaser an appropriate collection for the K-V Fund yet keep the cost of the stumpage competitively priced, the Service then deducts from its minimum acceptable price for the stumpage the needed collection for the K-V Fund. The result, of course, is that the revenue collected for the timber sale, i.e. the revenue available for sharing, is reduced by the amount of the K-V collection and, as per the "common notion," represents "the net revenues."

A somewhat similar procedure applies to the estimated cost of timber harvest road construction. Here, too, the Forest Service estimates the applicable costs and further reduces the minimum acceptable stumpage price by that amount while it also requires the timber purchaser to commit the expenditure of the deducted amount for the construction of harvest roads. The effect upon the revenue shared by state-local governments is similar to that expressed above.

The Bureau of Land Management in administering the Sale of Public Lands Act[2/] calculates the distribution of shared revenue on the basis of "net proceeds." According to BLM, the distinction of net proceeds versus gross receipts has been satisfied by sharing with states 80% of the gross while 20% of the gross are paid into the Reclamation Fund, in specified instances, or the General Fund of the Treasury. The effect of this practice upon revenue sharing state governments is that they receive only 4% rather than 5% of gross revenues.

1/ 16 U.S.C. § 576b (1964).
2/ See Legal Digest (LA).

No similar practices have been observed relating to any of the other revenue sharing programs. It should be observed, however, that many state and local government officials assume that deductions from gross receipts, prior to sharing revenues, are also made for other programs. These misunderstandings are the result, it is believed, of published statistical series which contain data relating to shared and non-shared revenues. For example, Table No. 120 in Public Land Statistics, 1966, Bureau of Land Management, U. S. Department of the Interior, Washington, D. C., includes over $10 million in collections, out of a total of over $125 million, which are not subject to distribution to states and local governments by BLM.

B. Magnitude of "Deductions"

While 10-year data for the collection of K-V Funds by state and county were made available for the purpose of this study by the Forest Service, similar data for harvest road construction were available only by state and for some of the counties. Case state and county digests contain Tables No. C-9 showing the amounts collected in each of the 10 years for the K-V Fund and, also, the resulting reduction in revenues shared. In 1966, as documented in Table No. CS-10 following, the K-V collections for the 50 case counties amounted to over $4 million, averaging over $87,000 for each of the 50 counties and resulting in a "loss" of shared revenues of over $1 million. This "loss" of shared revenues for the 50 case counties equaled over 9% of the RS and PILT from national forest programs.

Table No. CS-10a contains the 10-year data for harvest road construction and reconstruction payments by national forest timber purchasers by states. It shows that the amounts committed by the timber purchasers have grown consistently, except in 1961, 1964 and 1966 when the totals were less than those for the prior years; however, in the 11 public land states in which such commitments were made, the year-by-year figures, except for 1961 and 1964, reflect a continuing increase. Over the 10-year period, a total of $461 million was committed by the national forest timber purchasers and resulted in a reduction of shared revenues of over $115 million. As Table No. CS-10b shows, almost $114 million of the reduced revenue shared applied to 11 public land states, with Oregon accounting for $51.7 million of this total. Table No. CS-10c compares the 1966 and annual average for 1957-1966 of harvest road construction costs to the 1966 shared revenues. The resulting reduction in shared revenues for 1966, $14 million, equaled almost 34% of the revenues shared from timber sales and the annual average for the 10-year period of $11.5 million equaled almost 28% of the 1966 shared payments. Because sales of public lands and materials are of a relatively insignificant magnitude, net revenues of $4.8 million, the "deduction" made of $1.2 million reduced the revenue shared with states by only slightly over $60,000.

In summary, while neither of the programs discussed permit the sharing of net rather than gross revenues, in the sense in which these terms are used in private industry, the effects of collections for the K-V Fund and reduction

TABLE NO. CS-10 Page 1 of 2

"LOSSES" OF SHARED REVENUE BY 50 CASE COUNTIES IN 1966 RESULTING FROM KNUTSON-VANDENBERG COLLECTIONS AND THE ADMINISTRATIVE EXPENSES IN THE SALE OF PUBLIC LAND AND MATERIALS

Case Counties	RS & PILT Payments National Forest Programs[1/] ($) (1)	Knutson-Vandenberg Collections			"Loss" in Revenue Shared from Sale of. Public Land & Materials[4/] ($) (5)
		Total Amount ($) (2)	"Loss" in Shared Revenue Amount[2/] ($) (3)	"Loss" in Shared Revenue % Accrued Payments[3/] (%) (4)	
Mohave, Arizona	1,690	1,201	300	17.8	--
Yuma, Arizona	--	--	--	--	--
Johnson, Arkansas	23,397	15,521	3,880	16.6	--
Del Norte, California	618,524	244,936	61,234	9.9	--
Fresno, California	164,852	203,654	50,914	30.9	--
Nevada, California	88,417	27,411	6,853	7.8	--
Trinity California	975,531	332,857	83,214	8.5	--
San Bernardino, California	51,246	34,357	8,589	16.8	--
Fremont, Colorado	571	844	211	37.0	73
Grand, Colorado	10,467	24,948	6,237	59.6	30
Gunnison, Colorado	14,961	47,081	11,770	78.7	178
Las Animas, Colorado	183	270	68	37.2	11
Mesa, Colorado	12,014	25,461	6,365	53.0	90
Moffat, Colorado	898	3,214	804	89.5	16
Montrose, Colorado	7,483	30,156	7,539	100.8	8
Rio Blanco, Colorado	7,527	11,799	2,950	39.2	79
Rio Grande, Colorado	2,749	7,844	1,961	71.3	101
Summit, Colorado	5,531	12,439	3,110	56.2	1,087
Clearwater, Idaho	122,559	101,095	25,274	20.6	--
Owyhee, Idaho	--	--	--	--	--
Gogebic, Michigan	33,023	3,827	957	2.9	--
Cass, Minnesota	18,968	38,608	9,652	50.9	--
Itasca, Minnesota	20,068	29,903	7,476	37.2	--
Lake, Minnesota	88,997	37,049	9,262	10.4	--
Marshall, Minnesota	--	--	--	--	--
St. Louis, Minnesota	64,797	47,344	11,836	18.3	--
Garfield, Montana	--	--	--	--	--
Lincoln, Montana	335,785	552,202	138,050	41.1	--
Clark, Nevada	282	257	64	22.7	--
Elko, Nevada	11,881	982	246	2.1	--
Carroll, New Hampshire	14,157	10,910	2,728	19.3	--
Coos, New Hampshire	19,663	14,652	3,663	18.6	--
Grafton, New Hampshire	32,428	24,138	6,034	18.6	--
Rio Arriba, New Mexico	37,761	38,071	9,518	25.2	--
Sierra, New Mexico	6,250	1,002	250	4.0	--
Cherokee, North Carolina	16,440	6,720	1,680	10.2	--
Lake, Oregon	591,074	223,998	56,000	9.5	--
Lane, Oregon	4,777,585	850,370	212,592	4.4	--
Forest, Pennsylvania	56,373	35,177	8,794	15.6	--
Pennington, South Dakota	22,578	69,489	17,372	76.9	--

TABLE NO. CS-10(Continued) Page 2 of 2

"LOSSES" OF SHARED REVENUE BY 50 CASE COUNTIES IN 1966 RESULTING FROM KNUTSON-VANDENBERG COLLECTIONS AND THE ADMINISTRATIVE EXPENSES IN THE SALE OF PUBLIC LAND AND MATERIALS

		Knutson-Vandenberg Collections			
			"Loss" in Shared Revenue		
Case Counties	RS & PILT Payments National Forest Programs[1] ($) (1)	Total Amount ($) (2)	Amount[2] ($) (3)	% Accrued Payments[3] (%) (4)	"Loss" in Revenue Shared from Sale of Public Land & Materials[4] ($) (5)
Angelina, Texas	28,509	63,312	15,828	55.5	--
Box Elder, Utah	1,625	3,517	879	54.1	--
Kane, Utah	1,389	4,561	1,140	82.1	--
Jefferson, Washington	459,291	71,330	17,832	3.9	--
Okanogan, Washington	213,957	167,290	41,822	19.6	--
Skamania, Washington	1,685,460	408,710	102,178	6.1	--
Stevens, Washington	51,280	71,105	17,776	34.7	--
Whatcom, Washington	464,510	93,920	23,480	5.0	--
Natrona, Wyoming	89	1,542	386	433.7	--
Sublette, Wyoming	18,865	21,186	5,296	28.1	--
Total	11,181,685	4,016,260	1,004,064	9.0	1,673
Average	243,080	87,310	21,828	9.0	36[5]

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[1] Represents payments from U.S. Department of Agriculture National Forest programs except in Lane County, Oregon where O&C Railroad Grant land revenues are excluded.

[2] Represents 25% of reported 1966 total collections (col. 2).

[3] Col. 3 as percent col. 1.

[4] Represents 25% of reported 1966 payments.

[5] Average for the ten counties in which "losses" occurred was $167.

Sources: Case County Studies and Knutson-Vandenberg collections as reported by the U.S. Department of Agriculture.

TABLE NO. CS-10a

HARVEST ROAD CONSTRUCTION AND RECONSTRUCTION BY NATIONAL FOREST TIMBER PURCHASERS, BY STATES, 1957-1966

(In Dollars)

State	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966
Alabama	20,070	0	28,500	14,700	0	8,100	7,820	16,300	0	18,096
Alaska*	248,660	502,440	393,050	1,775,280	2,571,900	1,298,580	1,629,000	785,000	895,000	1,308,000
Arizona*	425,651	405,082	509,225	101,763	414,847	72,328	258,100	337,759	579,331	400,000
Arkansas	21,100	53,806	31,400	71,231	57,130	81,222	66,933	63,700	78,300	80,194
California*	5,303,048	4,063,200	5,804,700	6,001,305	2,497,347	6,076,492	6,970,207	9,855,000	11,404,326	13,630,218
Colorado*	65,948	123,500	105,814	151,430	162,480	176,230	109,900	465,564	291,800	461,501
Florida	9,470	0	4,374	2,008	764	0	0	0	24,476	21,943
Georgia	11,974	50,350	34,200	20,266	46,907	48,979	78,847	45,800	0	0
Idaho*	1,727,337	3,220,224	2,490,569	3,677,955	2,388,278	1,732,549	4,205,185	3,191,638	3,379,221	4,239,428
Kentucky	18,054	20,433	20,105	12,393	7,579	1,846	0	11,090	9,012	43,091
Louisiana	28,163	0	17,000	15,000	14,985	25,412	0	38,000	9,090	137,246
Michigan	10,195	4,000	3,207	36,164	26,100	33,607	51,605	6,001	10,490	0
Minnesota	56,300	79,700	63,800	11,100	18,951	23,150	28,055	0	0	0
Mississippi	0	0	30,042	17,054	60,762	90,890	85,732	30,000	111,235	165,646
Montana*	1,806,734	2,262,460	1,729,647	2,291,493	2,630,012	2,996,672	3,076,383	2,659,738	2,243,365	2,102,318
New Mexico*	273,709	54,864	126,134	99,200	175,663	201,343	46,800	85,631	29,737	26,000
North Carolina	109,564	88,864	47,225	24,933	900	75,138	40,686	46,400	33,000	0
Oklahoma	0	5,000	0	0	0	0	0	0	0	0
Oregon*	14,067,342	15,044,773	18,157,482	21,719,162	21,185,129	23,167,469	23,687,769	19,722,612	26,670,050	23,366,177
Pennsylvania	0	0	0	0	0	0	0	0	0	178,885
South Carolina	2,300	0	20,197	61,933	64,292	153,731	146,487	150,500	156,885	129,362
South Dakota	1,500	4,760	15,916	28,235	11,585	0	53,691	15,093	44,047	40,014
Tennessee	8,966	1,440	0	12,643	0	3,600	0	0	0	0
Texas	18,764	38,568	59,552	37,678	30,580	34,028	27,648	18,600	26,335	21,282
Utah*	34,500	19,700	52,298	85,380	162,100	12,200	38,000	125,500	73,100	101,756
Vermont	0	0	0	0	0	0	0	0	0	19,600
Virginia	28,943	30,800	37,390	39,906	19,974	47,298	22,934	36,784	16,400	20,414
Washington*	5,972,387	8,481,591	8,523,793	9,766,270	11,492,239	12,073,558	13,211,350	13,881,097	10,121,449	9,117,426

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TABLE NO. CS-10a (Continued)

HARVEST ROAD CONSTRUCTION AND RECONSTRUCTION BY NATIONAL FOREST TIMBER PURCHASERS, BY STATES, 1957-1966

(In Dollars)

State	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966
West Virginia	41,630	23,500	3,814	38,459	7,830	32,109	0	56,335	10,600	78,459
Wisconsin	13,200	19,018	17,057	6,900	8,100	7,105	34,146	32,954	1,292	0
Wyoming*	191,306	241,900	186,100	135,700	80,000	288,900	222,803	120,388	99,600	328,940
Total	30,516,815	34,839,973	38,512,591	46,255,541	43,990,202	48,762,536	54,100,081	51,797,484	56,318,141	56,035,996
*Public Land States[1] (11)	30,116,622	34,419,734	38,078,812	45,804,938	43,759,995	48,096,321	53,455,497	51,229,927	55,786,979	55,081,764
Other States (20)	400,193	420,439	433,779	450,603	230,207	666,215	644,584	567,557	531,162	954,232

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[1] No costs reported for Nevada which is also a public land state.

Source: Forest Service, U.S Department of Agriculture.

TABLE NO. CS-10b

25 PERCENT OF HARVEST ROAD CONSTRUCTION AND RECONSTRUCTION COSTS BY NATIONAL FOREST TIMBER PURCHASERS, BY STATES, 1957-1966

(In Dollars)

State	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	Ten Year Total
Alabama	5,018	0	7,125	3,675	0	2,025	1,955	4,075	0	4,524	28,397
Alaska*	62,165	125,610	98,262	443,820	642,975	324,645	407,250	196,250	223,750	327,000	2,851,727
Arizona*	106,413	101,270	127,306	25,441	103,712	18,082	64,525	84,440	144,833	100,000	876,022
Arkansas	5,275	13,452	7,850	17,808	14,282	20,306	37,039	15,925	19,575	20,048	171,560
California*	1,325,762	1,015,800	1,451,175	1,500,326	624,337	1,519,123	1,742,552	2,463,750	2,851,082	3,407,554	17,901,461
Colorado*	16,487	30,875	26,454	37,858	40,620	44,058	27,475	116,391	72,950	115,375	528,543
Florida	2,368	0	1,094	502	191	0	0	0	6,119	5,486	15,760
Georgia	2,994	12,588	8,550	5,066	11,727	12,245	19,712	11,450	0	0	84,332
Idaho*	431,834	805,056	622,642	919,489	597,070	433,137	1,051,296	797,910	844,805	1,059,857	7,563,096
Kentucky	4,514	5,108	5,026	3,098	1,895	462	0	2,772	2,253	10,773	35,901
Louisiana	7,041	0	4,250	3,750	3,746	6,353	0	9,500	2,272	34,312	71,224
Michigan	2,549	1,000	802	9,041	6,525	8,042	12,901	1,500	2,622	0	44,982
Minnesota	14,075	19,925	15,950	2,775	4,738	5,788	7,014	0	0	0	70,265
Mississippi	0	0	7,510	4,264	15,190	22,722	21,433	7,500	27,809	41,412	147,840
Montana*	451,684	565,615	432,412	572,873	657,503	749,168	769,096	664,934	560,841	525,580	5,949,706
New Mexico*	68,427	13,716	31,534	24,800	43,916	50,336	11,700	21,408	7,434	6,500	279,771
North Carolina	27,391	22,216	11,806	6,233	225	18,784	10,172	11,600	8,250	0	116,677
Oklahoma	0	1,250	0	0	0	0	0	0	0	0	1,250
Oregon*	3,516,836	3,761,193	4,539,370	5,429,790	5,296,282	5,791,867	5,921,942	4,930,653	6,667,512	5,841,544	51,696,989
Pennsylvania	0	0	0	0	0	0	0	0	0	44,721	44,721
South Carolina	575	0	5,049	15,483	16,073	38,433	36,622	37,625	39,221	32,340	221,421
South Dakota	375	1,190	3,979	7,059	2,896	0	13,423	3,773	11,012	10,004	53,711
Tennessee	2,242	360	0	3,161	0	900	0	0	0	0	6,663
Texas	4,691	9,642	14,888	9,420	7,645	8,507	6,912	4,650	6,584	5,320	78,259
Utah*	8,625	4,925	13,074	21,345	40,525	3,050	9,500	31,375	18,275	25,439	176,133
Vermont	0	0	0	0	0	0	0	0	0	4,900	4,900
Virginia	7,236	7,700	9,348	9,976	4,994	11,824	5,734	9,196	4,100	5,104	75,212
Washington*	1,493,097	2,120,398	2,130,948	2,441,568	2,873,060	3,018,390	3,302,838	3,470,274	2,530,362	2,279,356	25,660,291

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TABLE NO. CS-10b (Continued)

25 PERCENT OF HARVEST ROAD CONSTRUCTION AND RECONSTRUCTION COSTS BY NATIONAL FOREST TIMBER PURCHASERS, BY STATES, 1957-1966

(In Dollars)

State	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	Ten Year Total
West Virginia	10,408	5,875	954	9,615	1,958	8,027	0	14,084	2,650	19,615	73,186
Wisconsin	3,300	4,754	4,264	1,725	2,025	1,776	8,536	8,238	323	0	34,941
Wyoming*	47,826	60,475	46,525	33,925	20,000	72,225	55,701	30,097	24,900	82,235	473,909
Total	7,629,208	8,709,993	9,628,147	11,563,886	11,034,110	12,190,275	13,545,328	12,949,370	14,079,534	14,008,999	115,338,850
*Public Land States1/ (11)	7,529,156	8,604,933	9,519,702	11,451,235	10,940,000	12,024,081	13,363,875	12,807,482	13,946,744	13,770,440	113,957,648
Other States (20)	100,052	105,060	108,445	112,651	94,110	166,194	181,453	141,888	132,790	238,559	1,381,202

1/ No costs reported for Nevada which is also a public land state.

Source: Table No. CS-9a.

TABLE NO. CS-10c

EFFECT UPON REVENUE SHARING BY HARVEST ROAD CONSTRUCTION AND RECONSTRUCTION BY NATIONAL FOREST TIMBER PURCHASERS, BY STATE

State	Accrued Payments to State in 1966 ($000) (1)	25 Percent of Construction Costs: 1966: Amount ($) (2)	25 Percent of Construction Costs: 1966: % 1966 Payments (%) (3)	25 Percent of Construction Costs: Average 1957-66: Amount ($) (4)	25 Percent of Construction Costs: Average 1957-66: % 1966 Payments (%) (5)
Alabama	226	4,524	2.0	2,840	1.3
Alaska*	283	327,000	115.5	285,173	100.8
Arizona*	529	100,000	18.9	87,602	16.6
Arkansas	836	20,048	2.4	17,156	2.0
California*	6,135	3,407,554	55.5	1,790,146	29.2
Colorado*	220	115,375	52.4	52,854	24.0
Florida	233	5,486	2.4	1,576	0.7
Georgia	318	0	0.0	8,433	2.6
Idaho*	1,234	1,059,857	85.9	756,310	61.3
Kentucky	101	10,773	10.7	3,590	3.6
Louisiana	328	34,312	10.5	7,122	2.2
Michigan	206	0	0.0	4,498	2.2
Minnesota	114	0	0.0	7,026	6.2
Mississippi	968	41,412	4.3	14,784	1.5
Montana*	1,164	525,580	45.2	594,971	51.1
New Mexico*	214	6,500	3.0	27,977	13.1
North Carolina	239	0	0.0	11,668	4.9
Oklahoma	121	0	0.0	125	0.1
Oregon*	19,694	5,841,544	29.7	5,169,699	26.2
Pennsylvania	237	44,721	18.9	4,472	1.9
South Carolina	625	32,340	5.2	22,142	3.5
South Dakota	63	10,004	15.9	5,371	8.5
Tennessee	83	0	0.0	666	0.8
Texas	636	5,320	0.8	7,826	1.2
Utah*	132	25,439	19.3	17,613	13.3
Vermont	121	4,900	4.0	490	0.4
Virginia	105	5,104	4.9	7,521	7.2
Washington*	6,131	2,279,356	37.2	2,566,029	41.8
West Virginia	175	19,615	11.2	7,319	4.2
Wisconsin	140	0	0.0	3,494	2.5
Wyoming*	134	82,235	61.4	47,391	35.4
Total	41,745	14,008,999	33.6	11,533,885	27.6
*Public Land States1/(11)	35,870	13,770,440	38.4	11,395,765	31.8
Other States (20)	5,875	238,559	4.1	138,120	2.4

1/ No costs reported for Nevada which is also a public land state.

Source: Based on data from Forest Service, U.S. Department of Agriculture

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of stumpage prices by the estimated cost of timber harvest road construction and reconstruction are of significance in terms of the revenues available for sharing with states and local governments.

In analyzing the K-V Fund collections specifically, it was noted that there appeared to be no correlation between the value of the timber sale and the K-V Fund collection. The Forest Service explained that such a correlation must not necessarily exist because the cost of reforestation may be higher or lower, depending upon topographic, climatic, and other conditions which are unrelated to the value of the timber sold. The criticism voiced by state and local officials, in this connection, is that the K-V Fund collection should bear a relationship to the value of the timber sale so as not to unduly decrease the receipts available for sharing.

VII. Bonded Indebtedness of State and Local Governments

A. Data

A specific requirement of this study was to develop data for state and local governments' indebtedness so as to ascertain, if possible, whether states having large Federal land holdings were indebted to a greater extent than states which do not have substantial acreages of Federal realty.

On this topic, as on many others discussed in this report, considerable difficulties were experienced in collecting the pertinent data from state and local governments in a manner which would permit comparison among the various units of government and the U. S. as a whole. Certain states and counties, for example, do not consider revenue bonds as part of their indebtedness and therefore do not include them in their published records while others intermingle general obligations, revenue bonds and other types of debt. Additionally, it was often impossible to identify the specific purpose, at least by expenditure category, for which the debt was incurred. This is important because it was intended to show for which types of public services states and local units were required to finance through debt.

The state and county digests, in Appendix No. 3 of this report, contain summaries of outstanding indebtedness for 1966, and by calendar or fiscal year, and textual material relating to the increase or decrease of the units' outstanding debt over the 10-year study period.

B. The Results

Analyses of the data collected indicate a complete lack of uniformity between the various states and counties. Generally, it was found that those states and counties, which appear to have the greatest revenue deficiencies because of relatively low receipts from the public lands, increased their outstanding debts at a greater rate than those whose budgets were more balanced.

Another way of gaining insight to the question of whether outstanding debt in these public land intense areas has different characteristics is to examine these units' ability to discharge their interest and principal payment obligations. Here, too, no unusual situations were uncovered. Inevitably, there are those which have had to refinance previously outstanding debt and those which have fallen behind in their repayment schedules. However, these instances were few because it was noted, for the most part, that county governments in public land intense areas are more conservative in their fiscal policies than, for example, in large metropolitan areas. The result, of course, is that though the needs for greater debt financing have existed -- due to the presence of tax immune Federal lands or for other reasons -- the fiscal conservatism has restrained the incurrence of debt at a rate greater than the national averages. As a result, while public facilities such as schools, highways, bridges and recreational facilities may not be comparable to quantity and quality in nonpublic land intense areas, the governments in these Federally land intense counties have generally been able to meet their debt payment requirements.

As mentioned at the beginning of this chapter, the results for each of the examined states and counties contain large variances. In the five case states, total bonded indebtedness increased from 1956 to 1966 by 228% as compared with the national increase for state and local governments (1955 to 1965) of 225%.[1] However, while the debt of the State of California increased at a rate near the national average, 261%, that for Colorado (revenue bonds not general obligation bonds) increased by only 50%. In fact, the per capita debt for Colorado in 1966 was only $63 while for California it was $224 and for the nation as a whole (1965) it was $516. Similarly, the rates of increase for New Hampshire and Washington were substantially below the average, amounting to 90% and 97% respectively and resulting in 1966 per capita debts of $184 and $182 respectively.

For the 50 case counties a summary of the 1966 outstanding debt, the rate of change for the 10-year period, the debt as a percent of 1966 revenues and the debt per capita are contained in Table No. CS-11 following. It shows an average increase of 225% for the 10-year period and a debt per capita figure of $259. The data in this table also identify the large variation among the different counties, showing, for example, that in Las Animas, Colorado, the outstanding debt had declined by almost 48% while in Rio Blanco, Colorado, it had increased over 38 times. The highest per capita debt is shown for Mohave, Arizona, $879, though the rate of increase for that county was only slightly above the average, amounting to 296%.

In short, the profile of outstanding indebtedness in the case states and counties more likely reflects the fiscal policies of these governments than a greater dependency upon debt financing experienced by nonpublic land intense states and counties. Put differently, the data do not reveal a direct relationship between the presence of public land and its effects upon the outstanding debt of the government units studied; however, they do suggest a tendency for counties experiencing economic difficulties to cut back capital expenditures for public goods, with a resulting decline in the quality of public service.

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[1] Case study figures from case digests, Appendix No. 3; National Figures from Fiscal Outlook for State and Local Government to 1975, Tax Foundation, Inc., New York (1966).

TABLE NO. CS-11

OUTSTANDING BONDED INDEBTEDNESS, 50 CASE COUNTIES
1966, PERCENT CHANGE 1956-1966, AND 1966 DEBT-REVENUE RELATIONSHIP1/

Case Counties	Outstanding Debt: Amount 1966 ($000) (1)	Outstanding Debt: % Change 1956-1966 (%) (2)	1966 Debt As % 1966 Revenues1/ (%) (3)	1966 Debt Per Capita ($) (4)
Mohave, Arizona	11,960	296.29	229.56	879
Yuma, Arizona	12,908	54.36	52.77	224
Johnson, Arkansas	496	1,053.49	31.65	40
Del Norte, California	1,236	(5.65)	14.00	69
Fresno, California	62,755	154.89	34.34	150
Nevada, California	7,322	1,182.31	54.88	288
San Bernardino, California	149,325	244.69	55.74	226
Trinity, California	1,140	305.69	22.75	128
Fremont, Colorado	6,700	729.21	140.17	313
Grand, Colorado	2,559	352.12	152.32	711
Gunnison, Colorado	2,826	N.C.	119.19	410
Las Animas, Colorado	1,415	(47.79)	32.31	87
Mesa, Colorado	7,324	89.15	65.86	138
Moffat, Colorado	2,472	372.66	61.89	353
Montrose, Colorado	2,295	40.11	30.16	116
Rio Blanco, Colorado	3,630	3,845.65	92.82	712
Rio Grande, Colorado	1,637	52.28	21.01	144
Summit, Colorado	592	854.84	70.22	348
Clearwater, Idaho	670	(33.13)	32.72	73
Owyhee, Idaho	2,104	71.90	127.90	351
Gogebic, Michigan	567	164.95	9.87	28
Cass, Minnesota	4,600	517.452/	75.16	277
Itasca, Minnesota	5,445	(46.95)2/	33.02	157
Lake, Minnesota	5,955	N.C.	145.74	462
Marshall, Minnesota	5,670	95.252/	113.63	386
St. Louis, Minnesota	44,478	7.442/	55.74	189
Garfield, Montana	329	112.26	36.04	157
Lincoln, Montana	1,917	184.42	56.78	137
Clark, Nevada	146,170	937.11	171.68	597
Elko, Nevada	2,866	171.40	48.62	202
Carroll, New Hampshire	3,980	327.962/	75.24	255
Coos, New Hampshire	3,876	168.612/	58.02	113
Grafton, New Hampshire	6,496	59.652/	61.84	130
Rio Arriba, New Mexico	2,421	2,682.76	41.01	90
Sierra, New Mexico	1,629	1,710.00	96.56	226
Cherokee, North Carolina	976	(11.59)	89.38	61
Lake, Oregon	1,000	N.C.	35.84	156
Lane, Oregon	94,401	397.53	92.98	472
Forest, Pennsylvania	974	N.A.	104.62	216
Pennington, South Dakota	9,589	188.74	76.42	146

TABLE NO. CS-11 (Continued) Page 2 of 2

OUTSTANDING BONDED INDEBTEDNESS, 50 CASE COUNTIES 1966, PERCENT CHANGE 1956-1966, AND 1966 DEBT-REVENUE RELATIONSHIP[1]

	Outstanding Debt			
Case Counties	Amount 1966 ($000) (1)	% Change 1956-1966 (%) (2)	1966 Debt As % 1966 Revenues[1] (%) (3)	1966 Debt Per Capita ($) (4)
Angelina, Texas	8,224	198.08	69.23	184
Box Elder, Utah	10,284	1,553.38	111.35	339
Kane, Utah	1,020	341.56	113.59	392
Jefferson, Washington	3,126	32.80	77.96	313
Okanogan, Washington	4,300	41.91	53.73	167
Skamania, Washington	1,122	83.63	28.52	197
Stevens, Washington	1,986	200.00	41.90	116
Whatcom, Washington	26,658	576.26	101.46	375
Natrona, Wyoming	11,151	337.98	32.39	203
Sublette, Wyoming	1,099	367.66	62.66	244
Average - 50 Counties	13,873	224.74	67.49	259
Range - Low[3]	329	(47.79)	9.87	28
High[3]	149,325	3845.65	229.56	879
Average - 46 Counties[4]	14,846	219.68	67.10	258
Range - Low[3]	329	(47.79)	9.87	28
High[3]	149,325	3,845.65	229.56	879

N.C. = Not calculable

N.A. = Not available

1/ Revenues of all units of government within county.

2/ Figure for 1956 not available. % change based on period 1957-1966.

3/ Ranges independently determined for each column; lows (or highs) are not necessarily for identical counties.

4/ Only those counties which have comparable available data; counties with N.C. or N.A. in column (2) are excluded.

Source: Derived from Case Study Digests and Case County Table No. C-1.

VIII. Resource Expenditures

A. Data

A specific requirement of this study is to develop data for Federal resource program expenditures on Federal lands subject to PILT and RS. This objective was accomplished for the case states and counties though the data had to be specifically "reconstructed" by the Federal agencies from their various records. However, in many cases and affecting all agencies except the Forest Service, data was not retrievable for the entire 10-year study period. Moreover, data reflecting exclusively resource program expenditures on lands for which RS and/or PILT was made in these years are virtually not constructible because the managing agencies do not, as a general rule, separate for budget and cost control purposes between these and any other lands under their jurisdiction. A more detailed expose on what such distinguishing requirements involve is contained in Part 4, Alternative 2 of this report.

National data reflecting each agency's resource program expenditures, within the confines of this project, i.e. on the lands covered by this study, are not readily available and their "reconstruction" would, in all likelihood, impose severe burdens upon an already overburdened segment of the Federal agencies' staffs.

Special efforts have been made to obtain reasonably related data for the case states and counties. Not only are they prepared in a consistent manner for the various units but also between the various agencies (identical data structures, i.e. tabular formats, were furnished to all applicable agencies). The data structure included a separation between administrative and operating type expenditures and capital expenditures. The distinguishing feature between these two categories is the longevity of the asset created by the resource expenditures. Table No. C-7a in the case digests contain categorial breakdowns for all the expenditures; the data furnishing agencies provided the "separations" for the two types, operating and capital, as shown in Tables No. C-7 in the case digests.

B. Magnitude of Expenditures

Collection of the figures mentioned in A above has resulted in the determination of the considerable magnitude of these resource expenditures. The average annual expenditures have exceeded not only the amounts shared with state and local governments but also the gross revenues collected from market value goods on these lands. Even a cursory examination of these figures indicates that there is no financial relationship between resource expenditures and market values of goods and services obtained. It is obvious that the resource expenditures fund a great deal more than the management of timber or providing water for grazing animals, for example. These large expenditures purportedly cover the management and development costs of a long term resource in terms of values which include the objectives of conservation and product supply. If this were not so, it would be inconceivable for the agencies to make and justify expenditures of the magnitude observed.

Summaries of the resource expenditures in the five case states and fifty case counties are contained in Tables No. CS-12 and CS-12a.

For the case states the analysis of the figures produce the following:

1. 1966 resource program expenditures were over 18% higher than for the 1957-1966 average year. For New Hampshire the increase is over 39% while for Minnesota a decrease of 9.4% is shown.

2. Operating expenditures for 1966 were 27.4% higher than for the average year while capital expenditure increased more moderately by 3.9%.

3. Compared with PILT and RS payments to the five states, totaling $19.9 million, the resource expenditures were 7.67 times that much. Assuming the calculated average ratio for gross receipts from the lands being equal to 2.616 times the revenues shared, the 1966 resource expenditures for the five states were 2.93 times the estimated gross receipts of $52.07 million.

As the following figures for the 50 case counties indicate, the figures for the five case states do not appear to be representative for the nation as a whole. The "distortion" is primarily due to the expenditure-revenue relationships for California (about 10 times), Colorado (about 6 times), Washington (about 4.7 times) and Minnesota with a ratio of over 13 times, though expenditures there accounted for only 3.2% of the total for the five case states (while California accounted for 63% of the total).

For the 50 case counties the following summaries are presented:

1.	Average annual operating expenditures, all agencies	$28,108,672[1/]
2.	Average annual capital expenditures, all agencies	14,479,308
3.	Total average annual expenditures, all agencies	$42,587,980
4.	1966 operating expenditures, all agencies	40,925,958
5.	1966 capital expenditures, all agencies	21,886,592
6.	Total 1966 expenditures, all agencies	$62,812,550

[1/] Figures from Tables No. CS-12a.

Table No. CS-12

Resource Program Expenditures by PILT & RS Administering Federal Agencies in 5 Case States
(In Thousands of Dollars)

Case States	Average Annual Resource Program Expenditures[1] Operating[2]	Capital[2]	Total[3]	1966 Resource Program Expenditures Operating[2]	Capital[2]	Total[3]
California	52,275	31,978	84,253	66,600	30,004	96,603
Colorado	9,358	3,489	12,847	14,481	6,489	20,970
Minnesota	2,513	2,846	5,359	1,972	2,925	4,897
New Hampshire	507	366	873	723	490	1,214
Washington	17,065	7,959	25,033	20,346	8,553	28,899
Total	81,718	46,638	128,355	104,122	48,461	152,583

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[1] Represents average for the period 1957-1966 except where data were not available for the entire period. In those cases the average is calculated for the period for which data were available from all agencies.

[2] Designation of operating versus capital expenditures made by Federal agencies.

[3] May not add due to rounding.

Source: Tables No. C-7 case state digests, Appendix No. 3, Vol. 3.

Table No. CS-12a Page 1 of 2

Resource Program Expenditures by PILT & RS Administering Federal Agencies in 50 Case Counties

(In Thousands of Dollars)

Case Counties	Average Annual Resource Program Expenditures[1/]			1966 Resource Program Expenditures		
	Operating	Capital	Total	Operating	Capital	Total
Mohave, Arizona	452.2	41.2	493.4	695.2	117.2	812.4
Yuma, Arizona	230.0	15.3	245.3	357.5	26.2	383.7
Johnson, Arkansas	126.6	284.4	411.0	117.6	244.3	361.9
Del Norte, California	741.4	521.3	1,262.7	1,494.9	672.1	2,167.0
Fresno, California	1,785.5	694.8	2,480.3	1,800.9	861.6	2,662.5
Nevada, California	639.8	143.2	783.0	687.4	197.5	884.9
San Bernardino, California	1,927.1	278.2	2,205.3	2,097.4	371.2	2,468.6
Trinity, California	2,567.3	1,444.7	4,012.0	4,515.4	2,385.9	6,901.3
Fremont, Colorado	122.3	26.6	148.9	173.0	56.0	229.0
Grand, Colorado	294.1	146.7	440.8	388.7	258.5	647.2
Gunnison, Colorado	331.3	253.5	584.8	367.5	490.0	857.5
Las Animas, Colorado	44.7	12.5	57.2	72.4	20.5	92.9
Mesa, Colorado	391.6	171.8	563.4	622.3	303.7	926.0
Moffat, Colorado	135.0	18.9	153.9	190.6	33.1	223.7
Montrose, Colorado	218.7	101.4	320.1	352.1	177.3	529.4
Rio Blanco, Colorado	244.4	73.0	317.4	344.9	145.3	490.2
Rio Grande, Colorado	150.4	96.6	247.0	244.3	179.6	423.9
Summit, Colorado	139.2	73.7	212.9	190.2	137.1	327.3
Clearwater, Idaho	1,087.2	332.9	1,420.1	1,897.2	603.0	2,500.2
Owyhee, Idaho	759.2	74.9	834.1	1,232.2	117.8	1,350.0
Gogebic, Michigan	57.8	342.8	400.6	82.8	257.7	340.5
Cass, Minnesota	372.0	255.9	627.9	1,445.4	1,031.8	2,477.2
Itasca, Minnesota	194.5	131.8	326.3	327.3	221.8	549.1
Lake, Minnesota	137.8	833.5	971.3	164.3	776.1	940.4
Marshall, Minnesota	68.3	25.9	94.2	69.1	14.7	83.8
St. Louis, Minnesota	183.8	1,099.2	1,283.0	219.0	1,034.8	1,253.8
Garfield, Montana	115.8	28.2	144.0	216.9	74.9	291.8
Lincoln, Montana	652.5	290.7	943.2	1,426.1	455.3	1,881.4
Clark, Nevada	203.9	31.2	235.1	317.9	58.4	376.3
Elko, Nevada	592.4	180.2	772.6	977.5	295.4	1,272.9
Carroll, New Hampshire	108.4	78.3	186.7	154.8	104.9	259.7
Coos, New Hampshire	150.5	108.7	259.2	214.9	145.6	360.5
Grafton, New Hampshire	247.8	179.0	426.8	353.8	239.7	593.5
Rio Arriba, New Mexico	870.2	600.1	1,470.3	1,319.5	1,037.9	2,357.4
Sierra, New Mexico	248.3	80.8	329.1	387.9	144.7	532.6
Cherokee, North Carolina	7.9	71.5	79.4	9.0	80.6	89.6
Lake, Oregon	2,838.0	577.1	339.6	3,396.8	1,149.8	4,546.6
Lane, Oregon	3,848.9	2,233.3	6,082.2	4,296.4	3,380.6	7,677.0

Table No. CS-12a (Continued)   Page 2 of 2

Resource Program Expenditures
by PILT & RS Administering Federal Agencies in 50 Case Counties
(In Thousands of Dollars)

Case Counties	Average Annual Resource Program Expenditures[1/]			1966 Resource Program Expenditures		
	Operating	Capital	Total	Operating	Capital	Total
Forest, Pennsylvania	97.1	25.7	122.8	168.1	8.9	177.0
Pennington, South Dakota	558.2	253.4	811.6	988.9	613.2	1,602.1
Angelina, Texas	101.0	66.9	167.9	196.3	73.4	269.7
Box Elder, Utah	192.5	13.4	205.9	324.8	25.0	349.8
Kane, Utah	197.3	38.0	235.3	332.7	71.8	404.5
Jefferson, Washington	243.8	174.8	418.6	361.8	274.7	636.5
Okanogan, Washington	768.2	432.8	1,201.0	1,203.9	902.1	2,106.0
Skamania, Washington	1,132.0	835.8	1,967.8	1,890.3	935.9	2,826.2
Stevens, Washington	285.9	89.7	375.6	592.4	96.4	688.8
Whatcom, Washington	564.6	341.8	906.4	720.0	596.3	1,316.3
Natrona, Wyoming	158.2	26.3	184.5	282.9	43.6	326.5
Sublette, Wyoming	523.5	226.7	750.2	643.0	347.0	990.0
Total	28,109.1	14,479.1	39,512.7	40,926.0	21,896.9	62,817.1

[1/] Average for the period 1957-1966 where data were available for all years from all pertinent agencies, otherwise average was calculated for that period for which the data were available.

Source: Tables No. C-7 case county digests, Appendix No. 3, Vols. 3 and 4.

7.	Increase average year to 1966 total expenditures	47.5%
8.	Ratio, calculated 1966 gross receipts from Federal lands in 50 counties to resource expenditures	1: 1.136
9.	Ratio, 1966 revenue shared from Federal lands in 50 counties to resource expenditures	1: 2.972

As is evident from these county summaries, the 1966 resource expenditures not only exceeded the revenue shared with the states and local governments for the 50 counties but also exceeded by almost 14% the gross value of revenues generated by agency programs.

Assuming that about the same relationship exists nationally, it is calculated that about $390 million in resource expenditures were made in 1966 on lands from which revenues of about $343 million were derived, and $131 million shared with state and local governments. In order to assess the validity of this assumption, i.e. the applicability of the figures developed in the case studies to national totals, the resource expenditures of the Forest Service were examined in detail (this examination served the dual purpose of ascertaining total resource expenditures and an identification of those expenditures relating to revenue sharing programs). It was found that of the total Forest Service appropriations of $391 million, an estimated $189 million were expended as "costs associated with programs which produce the revenue which is the basis for shared payments to state and local governments."[1] The revenue produced (fiscal year 1966) amounted to $175.6 million, a ratio of 1: 1.075. These figures were derived from estimates allocating varying percentages of "line items" and they should not be taken as indicative of the cost-benefit relationship of Forest Service activities as these figures contain the expenditures for long-term (capital type) improvements and are compared with cash revenues rather than the resulting resource inventory value.

It is clear, however, that the 50 county cross-section has provided a reliable indication of the resource program expenditures, both as to their magnitude and their relationship to the annual cash receipts from the managed lands.

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[1] Unpublished data from National Forest Service, Division of Programs and Special Projects.

C. Source of Funds

An important question is "how are these expenditures funded?" As a general rule, funds expended by the various government departments and agencies in administering and managing Federal lands are derived from annual Congressional appropriations. The appropriations are based on the budget requests submitted to the Congress for each fiscal year by the administering agencies. In a few cases the annual appropriations for certain types of resource expenditures are made from the revenues produced by the lands to which the expenditures relate.

For example, under the Taylor Grazing Act [1] it is provided that, with respect to Section 3 lands, the range improvement fee is to be used for range improvements when appropriated. These fees are used for improvements in the county in which they are collected. With respect to Section 15 lands, 25% of the amounts received from leasing these lands are available, when appropriated, for range and other improvements. Similarly, each year 25% of the revenues collected with respect to the O&C lands are appropriated for the purposes of building access roads and making other improvements. [2] Finally, not more than 25% of the annual receipts from the CBWR lands are also available, when appropriated, for the administration of these lands. [3]

In a few cases all or part of the revenues produced by or in connection with certain lands are available for expenditure without specific appropriation by the appropriate agencies. This is the case, for example, under the Migratory Bird Act [4] where it is provided that all revenues collected by the Secretary of the Interior derived from Wildlife refuges shall be placed in a separate fund, to remain available until expended to pay for any necessary expenses incurred in connection with revenue producing measures. (Out of this fund revenue sharing payments are also made).

Under the various statutes providing for a sharing of 5% of the net proceeds realized from the sale of public lands, BLM deducts a flat 20% of the proceeds received to cover the administrative costs connected with such sales.[5]

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[1] 43 U.S.C. § 315 (1964); (Digest LK).
[2] See,e.g., 79 Stat. 174 (1965); 81 Stat. 59 (1967).
[3] 53 Stat. 753 (1939); (Digest LE).
[4] 16 U.S.C. § 715s (1964); (Digest LAB).
[5] See (Digest LA).

IX. Revenue Sharing on Public Domain Vs. Acquired Land, Exchanges & Withdrawals

A. Difference in Treatment Afforded Public Domain Vs. Acquired Land

A review of the legislative histories of the various statutes which provide for either payments in lieu of taxes or revenue sharing indicates that the intent of Congress, with respect to both systems of payment, was to relieve the financial burden created either by the presence of tax free Federally owned land or the removal of land from the local tax rolls of a particular jurisdiction.[1] However, revenue sharing payments are made with respect to both public domain lands and acquired lands, while payments in lieu of taxes, with only one exception, are made with respect to acquired lands.[2] The one exception is the Boundary Water Canoe Area (BWCA) of the Superior National Forest. There, payments in lieu of taxes are made with respect to lands which are both acquired and public domain.[3]

One characteristic common to all of the revenue sharing and most of the payment in lieu of tax statutes is that payments may be made only from the revenues produced from or in connection with the lands to which the statutes apply. For example, the payments made by the TVA are paid out of the proceeds from the sale of power[4], and the 25% of the revenues shared under the National Forest Revenue Act come from the sale of forest products[5] and from a variety of other sources.

With respect to those payment in lieu of tax statutes which do not require the payments to come out of earned funds, the payments are made out of the operating budget of the agency making the payments. For example, the Atomic Energy Commission receives, as a part of its annual appropriation by Congress, funds to make payments in lieu of taxes.[6]

Hence, so far, the only distinction which can be drawn between the treatment afforded public domain versus acquired lands is that PILT typically applies to the latter while both types of Federal land ownership are subjected to revenue sharing provisions. That is the effect of the existing body of law. However, when the economic implications are examined, another distinction emerges. In overall magnitude of payments, in lieu tax on Section 10 and non-Section 10 lands in 1966 amounted to only 11.4%, about $15 million of the combined PILT and RS payments of about $131 million. However, irrespective of the fact that in lieu tax payments are only less than 13¢ for each dollar of RS payment, they yield a much greater per acre return to state-local governments, except in some isolated cases. Importantly, where PILT and RS are paid on substantially the same type of land, the difference is notable. Again, using 1966 accrued payments for all public lands, the total PILT mentioned above was paid on about 2.5 million acres, yielding an average of $5.90/acre. The $116.1 million RS payments applied to a total of 374.9 million acres, yielded an average of 31¢/acre, compared to 26¢/acre on Section 10 lands.

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[1] See Legal Digests LA-LAC for a description of the Congressional rationale.
[2] See Figure L-1 Federal Revenue Sharing and Payments in Lieu of Taxes Statutes.
[3] Forest Service furnished information.
[4] 42 U.S.C. § 2208 (1964).
[5] 16 U.S.C. § 500 (1964).
[6] Atomic Energy Commission furnished information.

A demonstration of this disparity is found in Superior National Forest where the RS payments in 1966 amounted to 5.1¢/acre (substantially below the national average) but the in lieu tax payments on the BWCA of Superior National Forest amounted to 19.1¢/acre (also substantially below the national average). On Coos Bay Wagon Road lands the 1966 PILT amounted to $2.44/acre and on General Services Administration surplus property, it amounted to $751.54/acre. The TVA payment including the difference between the pure in lieu tax payment and the excess to equal 5% of gross power revenues, amounted to $14.35/acre (all data from data bank, Tables P-1 and P-2).

B. Exchanges in Context with PILT and RS

The amount paid to state and local governments under either payment in lieu of tax or revenue sharing statutes can be affected by the voluntary exchange of lands between a Federal agency on the one hand and private owners, states, counties and other non-Federal agencies on the other. There are several statutes under which these exchanges may be made:

16 U.S C. §§ 485, 486 (1964) (National Forest - public domain),
16 U S.C. § 516 (1964) National Forest - acquired land),
16 U.S.C. § 555a (1964) (other land administered by the Forest Service),
7 U.S.C. §§ 1010-1012 (1964) (National Grasslands), and
43 U.S.C. § 315g (Taylor Act lands).

These statutes generally require that:

i. the exchange must be in the public interest,
ii. the property received by the U. S. must be of equal value,
iii. the properties exchanged must be in the same state,
iv. lands are not exchanged on an acre-for-acre basis,
v. the lands offered to the U. S. must generally be within the boundary of a national forest or national grassland.

While exchange lands are generally required to be in the same state, they are not required to be in the same county, and it is possible for one county to have land taken off the local tax rolls without receiving other exchange lands. It should be pointed out, however, that even where land is taken off the tax rolls, it will normally become subject to any Federal payment which may be made with respect to such land. According to officials of the Departments of Agriculture and the Interior, the question of lost tax revenues does not often arise in land exchanges. However, where objections are raised by local officials, they are given consideration in determining whether or not to exchange the land.

There is another type of exchange which can also result in an economic loss to communities, and that is an exchange of timber cutting rights on national forest lands for privately owned lands.

Under the provisions of 16 U.S.C. §§ 485,486 (1964) the Secretary of Agriculture may, under certain conditions, accept lands within the exterior boundaries of the national forest, but not belonging to the States, in exchange for timber cutting rights on national forest land.

Land for timber exchanges are of two types; "Bipartite" or "Tripartite." In bipartite exchange the landowner exchanges land and is granted cutting rights to national forest timber. Under this type of arrangement no cash revenues are realized by the Federal government and hence no moneys are allocated to the states.[7]

Under a tripartite arrangement the landowner does not cut national forest timber but a third party does. The third party has a regular national forest timber sale contract as a result of competitive bidding for national forest timber. He cuts and removes the timber under the usual timber sale contract arrangements, making payments for the cut and removed timber to the Forest Service under the terms of the contract. The payments received, however, are set aside for the benefit of the landowner whose land was exchanged for the value of the timber cutting rights and are remitted to him when title to the exchanged land has passed to the government.[8]

Both of these arrangements are occasionally objected to by local governments because they do not receive a revenue from the timber cutting and the private lands become lands of the United States by virtue of the exchange, thus removing them from local government tax rolls. Conversely, some local governments are encouraging the use of timber sale receipts for such acquisition. In these cases the local governments apparently feel that they will ultimately receive more revenue from the lands if they are Federally owned than they would if the land remained in private ownership.

7/ FSM § 5431.21 (1966).
8/ FSM § 5431.22 (1966).

A unique provision is found in the Boulder Canyon legislation[1] which requires that the project generate sufficient revenues to, inter alia, meet the cost of operation and maintenance and provide replacements for the project. A somewhat similar provision is found under the Knutson-Vandenberg Act[2] under which the Secretary of Agriculture may require purchasers of National Forest timber to make deposits of money, in addition to the payments for the timber, to cover the cost to the United States of planting and reseeding forest land cut over by the purchaser.

As indicated previously, however, most of the funds used for resource expenditures come from Congressional appropriations. This is the inevitable result under some of the statutes providing for the distribution of the revenues realized from Federal lands. Under the Mineral Leasing Act of 1920,[3] for example, 52.5% of the receipts from rents, royalties, and bonuses collected from mineral leases is deposited in the Reclamation Fund. An additional 37.5% is distributed to the States and the remaining 10% is deposited in the miscellaneous receipts account of the Treasury; thus all of the revenues are spoken for and none are made available for resource management expenditures. Again, only 35% of the revenues from National Forests is subject to specific distribution, 25% to the states, and an additional 10% "made available" for the construction of forest roads and trails. Similarly, that part of the grazing fees collected under the Taylor Act[4] which is not returned to the States is deposited in the miscellaneous receipts account of the Treasury.

As was shown in Section B above, even if the non-shared portion of the revenues collected by the land management agencies from the various revenue producing programs were available for resource program expenditures, at the present time, these would not suffice to fund them. It has been pointed out in Alternative No. 2, Part 4 of this report, that the present cost accounting methods employed by the various agencies do not permit the examination of land management costs as they relate exclusively to the activities producing market value goods and services. Until such cost accounting methods are implemented it will be infeasible to resolve whether these land management programs, i.e. those from which revenues are shared with state and local governments, could be self-supporting and not require General Fund appropriations to cover resource management expenditures.

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[1] 43 U.S.C. § 618 (1964); (Digest LH).
[2] 16 U.S.C. § 576b (1964).
[3] 30 U.S.C. § 191 (1964); (Digest LF).
[4] 43 U.S.C. § 315 (1964); (Digest LK).

C. Withdrawals in Context with PILT and RS

Federal lands may be withdrawn from entry under 43 U.S.C. § 141 (1964), and several other minor statutes. When lands are withdrawn this can result in a decrease in the revenue sharing payments and there is no statutory requirement that state-local governments be compensated for a decrease in revenue sharing resulting from a withdrawal. On at least one occasion, the anticipated economic loss was sufficiently large to produce Congressional action. The creation of the BWCA from the Superior National Forest resulted in a sharp reduction in the available timber cut and, concurrently, a decrease in revenue sharing payments to Minnesota. With the passage of 16 U.S.C. § 577g (1964) (see Digest LD, Appendix No. 1), compensation for the reduction in shared revenues was provided and, as shown in Section A above, a greater per acre yield resulted therefrom. In most cases, however, decreases in RS receipts resulting from withdrawals are not compensated for. In the case of the Olympia National Park, which was carved out of the Olympia National Forest, the distribution of the revenues among the counties from the remaining commercial forest activities was "rearranged" so as not to disadvantage the county from which most of the timber cut area had been withdrawn.[1] This arrangement provides for all counties located within the Olympia National Forest to continue receiving the same share of the revenues shared by them from this forest prior to the creation of the Olympia National Park, irrespective of the location (county) in which the revenues presently originate.

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[1] See 16 U.S.C. §§ 251, 253 (1938).

X. State and Local Taxation of Possessory Interests in Federal and Privately Owned Lands

A. Introduction

Previous sections of this report have dealt with Federal and State statutory provisions which are intended to compensate State and local governments for the loss of tax revenues occasioned by the presence of tax-free Federal and State owned lands within those jurisdictions. These statutory provisions which are usually in the form of payments in lieu of taxes or revenue sharing payments, are basically intergovernmental monetary transfers.

While Federally owned realty may not be taxed without the specific consent of the Federal government, there is no bar to State and local taxation of less than fee interests in such property, granted to private third parties. This section of the report is concerned with the policies and practices of selected State and local governments with respect to the taxation of less than fee interests in Federally owned realty. It also contains a brief review of the practices relating to privately owned lands.

B. Legal Background

The early case of McCulloch v. Maryland, 4 Wheaton (17 U.S.) 316, (1819) prohibited the States from taxing Federal property. In addition, many of the statutes providing for admission of the various States into the Union, required the States, as a condition of admission, to agree not to tax Federal real property.1/ Accordingly, most State constitutions contain provisions which prohibit taxation of Federal lands.2/ These prohibitions did not, however, preclude the possibility of State and local taxation of the right to use of and/or possession of Federally owned realty; and in the case of Forbes v. Gracey, 94 U.S. 762, (1876), the Supreme Court held that the State of Nevada had the right to tax the possessory interests of a private party in an unpatented mining claim on Federal land so long as the tax could be collected without affecting the title of the United States to the property.

Since that decision, the right of State and local governments to tax possessory interests in Federal lands has been affirmed several times. In Elder v. Wood, 208 U.S. 226, 232 (1908), the Court, in speaking of a mining claim, said:

> "...such an interest from early times has been held to be property, distinct from the land itself, vendible, inheritable and taxable."

1/ See Digest LA.

2/ See, e.g., Mo. Const. Art. III, § 43; Mont. Const. Ord. I § 2; Okla. Const., Art I, § 3.

Again, in the case of Irvin v. Wright, 258 U.S. 219 (1922), it was held that mining claims on public lands are property, and when conveyed to an individual purchaser, are taxable by the State although the ownership of the land remains in the United States.

The right to tax possessory interests in Federal realty has also been affirmed in cases involving the following types of interests:

1. equity interests under a contract for the sale of Federal land,[3]
2. mining claims located on Federal land,[4]
3. leasehold interests in Federal land,[5]
4. permits to use Federal land.[6]

The only exception to the law permitting taxation of possessory interests in Federal lands occurs with respect to Federal enclaves over which the State and local governments ceded all jurisdiction to the Federal government when the land was acquired.[7]

It is clear, therefore, that the State and local governments may, to a limited extent, mitigate some of the financial burden imposed by the tax exempt status of Federal lands.

C. Statutory and Administrative Framework

1. Possessory Interests in Federal Land

In general, most of the twenty States examined authorized either by the constitutional provision[8] or statute the taxation of possessory interests in Federal lands. In general, while the specific interests which were authorized to be taxed varied both within each State as well as between the States, the following types of interests were taxable in one or more States:

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[3] Hussman v. Durham, 327 U.S. 558 (1945).
[4] Forbes v. Gracey, 94 U.S. 762 (1876).
[5] United States v. City of Detroit, 355 U.S. 466 (1958).
[6] Sproul v. Gilbert, 359 P.2d 543 (1961) (grazing permits).
[7] Humble Pipe Line Co. v. Wagonner, 376 U.S. 369 (1964).
[8] E.g., Alaska Const. Art. IX, § 5.

(1) grazing permits

(2) mineral leases

(3) unpatented mining claims

(4) leasehold interests

(5) use permits issued by the Forest Service and other Federal agencies.

In addition, most States authorize the taxation of both improvements erected by private parties on Federal lands, as well as other non-attached personal property on Federal land[9]

There are several differences in the tax treatment of possessory interests by various States.

In some of the States only the local governments are permitted to levy and collect property taxes, while in others, both State and local governments are permitted to collect these taxes. Some States classify possessory interests as real property[10] while others classify these interests as personal property.[11] Even within a particular State there is a significant difference between the actual practice of taxation of these interests in various counties.[12]

The biggest problem area in the taxation of possessory interests is the method used to arrive at a tax value. Many local taxing authorities expressed the opinion that the cost and trouble of assessing the value of possessory interests exceeded the potential tax return. There has been considerable litigation in this area[13] and at present, there is at least one case on appeal before the Supreme Court of the State of Oregon.[14]

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[9] The only exception occurs with respect to Federal enclaves where the State has ceded all jurisdiction to the Federal Government. See footnote 5 supra.

[10] Alaska Statutes tit. 29, §10.552, (1966).

[11] Code of Wash. Ann. tit. 82, §04.080 (1961).

[12] See Figure 4-2 following.

[13] e.g., Forests Shipbuilding Co. v. Los Angeles, 54 Cal. 2d 450, 353 P.2d 736 (1960), DeLuz Homes Inc. v. San Diego, 45 Cal. 2d 546, 290 P2d 544 (1955), Texas Co. v. County of Los Angeles, 52 Cal. 2d 55, 338 P2d 440 (1959).

[14] R.L.K and Company v. State Tax Commission. (no cites available) (See EBSMC PLLRC File no 344 for a brief on this case).

Figure 4-2

TAXATION OF POSSESSORY INTERESTS AND RELATED IMPROVEMENT ON FEDERAL LANDS

State and Statutory Citations	Percent of Land in State Federally Owned*	Interests Authorized to be Taxed	Interests Exempted from Taxation	Case Counties		
				County	Interests Existing in the County	Interests Being Taxed in the County
Alaska (File No. 332) 1/ Const. Art IX § 5	98%	Grazing permits, Forest Service permits, mineral leases (surface rights only)		None		
Arizona (File No. 333) Ariz. Rev. Stat. Ann. Tit. 42 §§ 126, 203, 602 (1956)	44%	Unpatented mining claims, improvements on unpatented lands, concessions (ski lifts), mineral leases.	grazing permits	Mohave (Digest No. C1) 2/	BLM mineral leases grazing leases rights-of-way	BLM 3/ mineral leases & rights-of-way
				Yuma (Digest No. C2)	BLM mineral leases grazing leases rights-of-way	BLM 3/ mineral leases rights-of-way
Arkansas (File No. 334) Ark. Stat. Ann. Tit. 84 § 203(1947)	9%	Timber & mineral rights separately assessed to holder of rights.		Johnson (Digest No. C3)	FS mineral leases rights-of-way commercial grazing recreational C of E leases	FS mineral leases

Key

*Public Land Statistics, 1966 p. 11 (figures rounded).
BLM - Bureau of Land Management.
BSF&W - Bureau of Sport Fisheries and Wildlife.
C of E - Corps of Engineers.
FS - Forest Service.
1/ Refers to EBSMC file numbers.
2/ Refers to case county digest numbers in Appendix No. 3 to this report.
3/ No breakdown available as to the extent of taxation of the various interests by the counties.

Figure 4-2

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TAXATION OF POSSESSORY INTERESTS AND RELATED IMPROVEMENT ON FEDERAL LANDS

State and Statutory Citations	Percent of Land in State Federally Owned*	Interests Authorized to be Taxed	Interests Exempted from Taxation	Case Counties		
				County	Interests Existing in the County	Interests Being Taxed in the County
California (File No. 335) Cal. Rev. & Tax Code §§ 107, 107.1, 107.3	44%	Possessory interests in tax exempt lands are taxable.		Del Norte (Digest No. C4)	FS commercial & residential permits	FS commercial & residential permits
				Fresno (Digest No. C5)	FS commercial utility recreational & residential permits BLM grazing permits	FS 1/ commercial utility recreational & residential permits
				Nevada (Digest No. C6)	FS rights-of-way mineral residential C of E commercial BLM grazing permits	FS 1/ rights-of-way mineral residential C of E commercial
				San Bernardino (Digest No. C7)	FS commercial residential recreational grazing permits	FS 1/ commercial residential recreational grazing permits

TAXATION OF POSSESSORY INTERESTS AND RELATED IMPROVEMENT ON FEDERAL LANDS

State and Statutory Citations	Percent of Land in State Federally Owned*	Interests Authorized to be Taxed	Interests Exempted from Taxation	Case Counties: County	Case Counties: Interests Existing in the County	Case Counties: Interests Being Taxed in the County
California (File No. 335) Cal. Rev. & Tax Code, §§ 107, 107.1, 107.3	44%	Possessory interests in tax exempt lands are taxable.		Trinity (Digest No. C8)	FS residential commercial mineral & grazing permits	FS 3/ residential commercial mining & grazing permits
Colorado (File No. 336) Colo. Rev. Stat., Tit. 137 §§ 1-2 (1963)	36%	"all lands or interests in lands to which title or the right of title has been acquired from the government of the United States"		Fremont (Digest No. C9)	FS grazing permits BLM grazing permits	
				Grand (Digest No. C10)	FS residential commercial recreational rights-of-way grazing public utility BLM grazing permits	FS residential commercial
				Gunnison (Digest No. C11)	FS grazing utility commercial residential & recreational permits BLM grazing mineral leases	FS commercial residential recreational permits

TAXATION OF POSSESSORY INTERESTS AND RELATED IMPROVEMENT ON FEDERAL LANDS

				Case Counties		
State and Statutory Citations	Percent of Land in State Federally Owned*	Interests Authorized to be Taxed	Interests Exempted from Taxation	County	Interests Existing in the County	Interests Being Taxed in the County
Colorado (File No. 336) Colo. Rev. Stat., Tit. 137 §§ 1-2 (1963)	36%	"all lands or interests in lands to which title or the right of title has been acquired from the government of the United States"		Las Animas (Digest No. C12)	FS grazing permits BLM grazing & mineral leases	
				Mesa (Digest No. C13)	FS rights-of-way grazing residential recreational BLM mineral leases	FS & BLM 3/ mineral & residential improvements
				Moffat (Digest No. C14)	BLM grazing & mineral leases FS grazing permits BSF&W grazing permits	BLM mineral leases
				Montrose (Digest No. C15)	FS commercial & grazing permits BLM commercial permits mineral leases	
				Rio Blanco (Digest No. C16)	FS grazing permits BLM residential utility & mineral leases	BLM mineral leases

Figure 4 - 2

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TAXATION OF POSSESSORY INTERESTS AND RELATED IMPROVEMENT ON FEDERAL LANDS

State and Statutory Citations	Percent of Land in State Federally Owned*	Interests Authorized to be Taxed	Interests Exempted from Taxation	Case Counties		
				County	Interests Existing in the County	Interests Being Taxed in the County
Colorado (File No. 336) Colo. Rev. Stat., Tit. 137 §§ 1-2 (1963)	36%	"all lands or interests in lands to which title or the right of title has been acquired from the government of the United States"		Rio Grande (Digest No. C17)	FS grazing & residential permits BLM grazing permits BSF&W grazing permits	FS residential permits
				Summit (Digest No. C18)	FS recreational residential grazing & rights-of-way BLM grazing permits	FS recreational & residential permits
Idaho (File No. 337) Idaho Code, Tit. 63, § 105 *et seq*; § 1223 (1948)	64%	Improvements (taxed as personalty)	possessory interests in public lands; unpatented mining claims.	Clearwater (Digest No. C19)	BLM grazing permits C of E rights-of-way FS commercial permits	FS commercial permits (presumably improvements)
				Owyhee (Digest No. C20)	BLM residential grazing & mineral leases	BLM residential permits (improvements only)

TAXATION OF POSSESSORY INTERESTS AND RELATED IMPROVEMENT ON FEDERAL LANDS

State and Statutory Citations	Percent of Land in State Federally Owned*	Interests Authorized to be Taxed	Interests Exempted from Taxation	Case Counties		
				County	Interests Existing in the County	Interests Being Taxed in the County
Michigan (File No. 337A) Mich. Stats. Ann. S 7.7(5) (Repl. Vol. 1960)	9%	Leasehold interests on public lands used for commercial purposes unless payments in lieu of taxes already being made equal to lost taxes and buildings and other tangible properties located on Federal land.		Gogebic (Digest No. C21)	FS residential recreational & commercial permits	FS recreational permits
Minnesota (FIle No. 338) Minn. Stat. Ann. Tit. 272 § .01 (Repl. Vol. 1966)	6%	Federal lands leased, loaned or otherwise made available to private persons in connection with a business conducted for profit unless in lieu tax payments being made equal to lost taxes.		Cass (Digest No. C22)	FS commercial & residential leases & rights-of-way	FS 3/ commercial & residential leases
				Itasca (Digest No. C23)	FS commercial utility rights-of-way & residential leases	FS 3/ commercial utility rights-of-way residential
				Lake (Digest No. C24)	FS resort residential commercial & mineral leases	FS resort residential commercial mineral leases.
				Marshall (Digest No. C25)	BSF&W grazing commercial rights-of-way	

TAXATION OF POSSESSORY INTERESTS AND RELATED IMPROVEMENT ON FEDERAL LANDS

				Case Counties		
State and Statutory Citations	Percent of Land in State Federally Owned*	Interests Authorized to be Taxed	Interests Exempted from Taxation	County	Interests Existing in the County	Interests Being Taxed in the County
Minnesota (File No. 338) Minn. Stat. Ann. Tit. 272 § .01 (1966)	6%	Federal lands leased, loaned or otherwise made available to private persons in connection with a business conducted for profit unless in lieu tax payments being made equal to lost taxes.		St. Louis (Digest No. C26)	FS commercial recreational residential leases rights-of-way utilities	FS[3] commercial & recreational permits
Montana (File No. 339) Rev. Code Mont. Tit. 84 § 201 (Repl. Vol. 1966)	30%	Real or personal public property leased to private parties.		Garfield (Digest No. C27)	C of E residential permits BLM grazing & mineral leases	C of E residential permits
				Lincoln (Digest No. C28)	FS residential permits	FS residential permits
Nevada (File No. 340) Nev. Rev. Stats. Tit. 361 §§ 157, 159 and Nev. Const. Art. X, § 1 (1957)	87%	Public lands leased, loaned or otherwise made available to private persons for business purposes.	grazing permits	Clark (Digest No. C29)	BLM grazing permits FS residential recreational telephone & telegraph	FS[3] residential recreational telephone & telegraph

TAXATION OF POSSESSORY INTERESTS AND RELATED IMPROVEMENT ON FEDERAL LANDS

				Case Counties		
State and Statutory Citations	Percent of Land in State Federally Owned*	Interests Authorized to be Taxed	Interests Exempted from Taxation	County	Interests Existing in the County	Interests Being Taxed in the County
Nevada (File No. 340) Nev. Rev. Stats. Tit. 361 §§ 157, 159 and Nev. Const. Art. X, § 1 (1957)	87%	Public lands leased, loaned or otherwise made available to private persons for business purposes.	grazing permits	Elko (Digest No. C30)	BLM & FS commercial leases	BLM & FS commercial leases
New Hampshire (File No. 341) N.H. Rev. Stat. Ann. Tit. 72 §§ 6, f (1955)	12%	Improvements on public lands		Carroll (Digest No. C31)	FS Boy's Camp, rights-of-way recreational	FS recreational (improvements only)
				Coos (Digest No. C32)	FS rights-of-way recreational leases commercial leases	FS rights-of-way recreational & commercial leases (improvements only)
				Grafton (Digest No. C33)	FS recreational leases roads rights-of-way watter supply & dams	FS recreational leases (improvements only)
New Mexico (File No. 342) N.M. Stat. Ann. Tit. 72 §§ 1-2, 6-7 (1963)	34%	Improvements, equipment and materials on mineral lands leased from U.S.		Rio Arriba (Digest No. C34)	BLM mineral leases	BLM mineral leases
				Sierra (Digest No. C35)	BLM mineral leases	BLM mineral leases

TAXATION OF POSSESSORY INTERESTS AND RELATED IMPROVEMENT ON FEDERAL LANDS

State and Statutory Citations	Percent of Land in State Federally Owned*	Interests Authorized to be Taxed	Interests Exempted from Taxation	Case Counties		
				County	Interests Existing in the County	Interests Being Taxed in the County
North Carolina (File No. 343) North Carolina Code, Ann. Ch. 105 § 296 (1964)	6%	Leasehold interests		Cherokee (Digest No. C36)	FS recreational & commercial leases	FS 3/ recreational & commercial leases
Oregon (File No. 344) Ore. Rev. Stat., Tit. 307 § 060 (1953)	52%	Real and personal property of U.S. under lease, or other interests less than fee.	unpatented mining claims except improvement taxes on grazing leases.	Lake (Digest No. C37)	BLM grazing leases BSF&W grazing leases FS grazing leases	
				Lane (Digest No. C38)	BLM residential C of E recreational FS utility leases	BLM residential C of E recreational FS 3/ utility leases
Pennsylvania (File No. 345)	2%	Improvements on public lands.		Forest (Digest No. C39)	FS improvements on leaseholds	FS improvements on leaseholds
South Dakota (File No. 346) S.D. Code, Ch. 57, § 0312.	7%	Improvements on public lands.		Pennington (Digest No. C40)	FS improvements on leaseholds BLM grazing leases	FS improvements on leaseholds

Figure 4-2

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TAXATION OF POSSESSORY INTERESTS AND RELATED IMPROVEMENT ON FEDERAL LANDS

				Case Counties		
State and Statutory Citations	Percent of Land in State Federally Owned*	Interests Authorized to be Taxed	Interests Exempted from Taxation	County	Interests Existing in the County	Interests Being Taxed in the County
Texas (File No. 346) Tex. Civil Stat. § 5248 (1964)	1.5%	Personal property and improvements, Forest Service residential and commercial permits, improvements on land.		Angelina (Digest No. C41)	C of E agricultural FS grazing leases	
Utah (File No. 347) Utah Code Ann., Tit. 59, § 13-73 (1953)	67%	The possession or other beneficial use of tax exempt property by private persons in connection with a business conducted for profit.		Box Elder (Digest No. C42)	FS grazing leases commercial leases BLM grazing leases	
				Kane (Digest No. C43)	FS residential grazing commercial & recreational leases BLM grazing & commercial leases	FS residential leases BLM commercial leases
Washington (File No. 349) Rev. Code of Wash. Ann. Tit. 82 § 04.080 (1961)	29%	Leasehold interests (taxed as personalty)		Jefferson (Digest No. C44)	FS rights-of-way	
				Okanogan (Digest No. C45)	BLM grazing leases FS residential leases	FS residential leases

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Figure 4-2

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TAXATION OF POSSESSORY INTERESTS AND RELATED IMPROVEMENT ON FEDERAL LANDS

State and Statutory Citations	Percent of Land in State Federally Owned*	Interests Authorized to be Taxed	Interests Exempted from Taxation	Case Counties		
				County	Interests Existing in the County	Interests Being Taxed in the County
Washington (File No. 349) Rev. Code of Wash. Ann. Tit. 82 s 04.080 (1961)	29%	Leasehold interests (taxed as personalty)		Skamania (Digest No. C46)	FS recreational & residential leases	FS [3/] recreational & residential leases
				Stevens (Digest No. C47)	FS commercial & recreational leases	FS commercial & residential leases
				Whatcom (Digest No. C48)	FS recreational	FS recreational
Wyoming (File No. 351) Wyo. Stat. Ann., Tit. 39 § 76 (1957)	48%	Buildings and improvements.		Natrona (Digest No. C49)	BLM mineral leases	BLM improvements erected under mineral leases
				Sublette (Digest No. C50)	FS commercial utility BLM mineral recreational & residential leases	FS commercial utility BLM [3/] mineral, recreational & residential (presumably buildings & improvements)

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The fact that this is a complex area is best illustrated by the history of what has happened in California.

In 1932 the case of Blinn Lumber Co. v. Los Angeles County, 216, Cal. 474, 14 P.2 512 (1932) held that in appraising leasehold interests the tax value was to be based on the excess of annual benefits over annual burdens. This was computed by deducting from projected earnings, over the life of the lease, the cost of rent and the amortization of improvements placed on the property which revert to the lessor at the expiration of the lease. The combined net earnings of the lease over its entire term was the ultimate value and the present tax value could be computed upon this basis.

This method of valuation was overturned in the case of De Luz Homes v. San Diego, 45 Cal. 2d 546, 290 P2d 544 (1955) in which the California Supreme Court held that the value of leasehold is to be computed on the same basis as other property:

> "The assessor must estimate the price a leasehold would bring in an open market under conditions in which neither buyer nor seller could take advantage of the other. He must capitalize, not the anticipated net earnings of the present lessee, but those of a prospectus assignee...No deduction is made for the costs of the lease...; i.e,, his charges for rent and amortization of improvement..."15/

Since this decision in California there has been considerable activity by both the State legislature and the State courts. In 1967 the tax laws of California were amended in an attempt to negate the effects of the DeLuz Homes opinion with respect to leases for the production of oil and gas16/ while at the same time, a recent case involving the taxation of oil royalties17/ held that such royalties are rent and, as such, subject to the principles enunciated in the DeLuz Homes case.

In addition to these two methods, the following systems have also been employed to value possessory interests:

(1) The imputed return method by which possessory interests are assessed by the direct capitalization of future returns for the period of the lease. The difficulty with this method is that future annual

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15/ DeLuz Homes Inc. v. San Diego, 45 Cal. 2d 546, 566 290 P2d 544, 557 (1955).

16/ Cal. Rev. & Tax Code, §§ 107.2, 107.3.

17/ Atlantic Oil Co. v. Los Angeles County. (no cites available).

returns are difficult to estimate because they must reflect all of the detractions from the property's fee value.

(2) The rent saving method by which the fair rental value of the leasehold is determined and compared with the actual rent paid to determine whether or not there is a rent saving, or if the lease is a burden to the lessee. If there is a rent saving, the annual rent saving is capitalized over the remaining term of the lease and this is taxed.

2. Possessory Interests in Private Lands

With respect to possessory interests in private property, the usual practice is to levy taxes, including taxes applicable to property (improvements) owned by the less-than-fee owners, against the fee owner. The allocation of the tax burden is left to be settled by the two or more holders of interests in the property being taxed. This approach of assessing only the owner is a practical one, and to the extent that inequities may arise they may be resolved in the amount of rent charged by the owner of the land. The State of Washington represents an exception to this approach. There, leasehold interests in private property are taxable at their fair market value.[18] Where improvements have become attached to real property, the value of the improvement for property tax purposes is the value of the term of the lease less rent reserved.

For obvious reasons, State and local taxation of third party possessory interests in private lands differs markedly from such taxation of similar interests in Federal property. Since privately owned property is not tax-exempt there is no need to resort to the refinement and complexity of taxing a less-than-fee interest as is the case with Federal real property.

D. Case County Studies

Studies of the actual tax practices of fifty case counties reveal that the amount of revenue raised by this type of taxation is relatively insignificant when compared with total revenues collected by local tax authorities.[19] Table No. CS-13 contains appropriate figures for the taxing effort in these 50 counties. It shows that an average of only 1.4% of county property tax revenues resulted from the taxation of possessory interests.

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[18] REV. CODE of WASH. ANN. tit 82, § 04.090 (1961).

[19] See Case County Digests, 1-50, Appendix No. 3.

TABLE NO. CS-13

Page 1 of 2

TAXATION BY LOCAL GOVERNMENTS OF THIRD PARTY INTERESTS ON FEDERAL LANDS, 50 CASE COUNTIES, 1966

		Tax Revenue	
Case Counties	Assessed Valuation ($) (1)	Amount ($) (2)	As % Total County Property Tax Revenue (%) (3)
Mohave, Arizona	136,944	8,217	0.26
Yuma, Arizona	114,825	10,691	0.12
Johnson, Arkansas	66,189	3,508	1.28
Del Norte, California	80,720	6,885	0.27
Fresno, California	24,814,210	2,000,025	2.88
Nevada, California	164,880	10,651	0.28
San Bernardino, California	2,741,560	241,806	0.23
Trinity, California	196,595	12,857	1.14
Fremont, Colorado	0	0	0.00
Grand, Colorado	107,685	6,698	0.82
Gunnison, Colorado	59,780	3,835	0.37
Las Animas, Colorado	0	0	0.00
Mesa, Colorado	111,850	5,870	0.08
Moffat, Colorado	3,243,875	159,000	11.42
Montrose, Colorado	0	0	0.00
Rio Blanco, Colorado	31,579,000	1,200,000	49.86
Rio Grande, Colorado	31,670	1,900	0.13
Summit, Colorado	429,560	20,533	4.02
Clearwater, Idaho	18,113	1,440	0.14
Owyhee, Idaho	6,822	350	0.04
Gogebic, Mighigan	1,000,000	10,000	2.15
Cass, Minnesota	36,820	11,749	0.49
Itasca, Minnesota	37,132	11,679	0.13
Lake, Minnesota	12,791	2,978	0.32
Marshall, Minnesota	0	0	0.00
St. Louis, Minnesota	29,873	10,000	0.02
Garfield, Montana	7,515	825	0.16
Lincoln, Montana	3,821	177	0.01
Clark, Nevada	568,997	27,411	0.10
Elko, Nevada	126,520	4,507	0.24
Carroll, New Hampshire	45,000	1,680	0.05
Coos, New Hampshire	87,200	3,427	0.06
Grafton, New Hampshire	111,000	4,283	0.05
Rio Arriba, New Mexico	7,460,831	179,218	25.03
Sierra, New Mexico	50,790	1,390	0.47
Cherokee, North Carolina	27,500	500	0.19
Lake, Oregon	0	0	0.00
Lane, Oregon	62,500	5,000	0.02
Forest, Pennsylvania	16,448	1,760	0.41
Pennington, South Dakota	223,232	15,537	0.21

TABLE NO. CS-13 (Continued)

TAXATION BY LOCAL GOVERNMENTS OF THIRD PARTY INTERESTS ON FEDERAL LANDS 50 CASE COUNTIES, 1966

Case Counties	Assessed Valuation ($) (1)	Tax Revenue: Amount ($) (2)	Tax Revenue: As % Total County Property Tax Revenue (%) (3)
Angelina, Texas	0	0	0.00
Box Elder, Utah	0	0	0.00
Kane, Utah	25,023	1,614	0.61
Jefferson, Washington	0	0	0.00
Okanogan, Washington	24,780	1,165	0.07
Skamania, Washington	9,413	361	0.04
Stevens, Washington	24,289	1,025	0.08
Whatcom, Washington	41,443	2,499	0.04
Natrona, Wyoming	34,772,000	1,537,966	17.69
Sublette, Wyoming	158,940	6,639	0.46
Average - 50 Counties	2,177,363	110,753	1.40
Range - Low [1]	0	0	0.00
High [1]	34,772,000	2,000,025	49.86
Average - 42 Counties [2]	2,592,098	131,849	1.46
Range - Low [1]	3,821	177	0.01
High [1]	34,772,000	2,000,025	49.86

[1] Ranges independently determined for each column; lows (or highs) are not necessarily for identical counties.

[2] Only those counties taxing possessory interests.

Source: Case Study Digests, Appendix No. 3.

Interviews with county tax commissioners and tax assessors revealed that the local tax authorities (1) often lack the personnel and/or the facilities to undertake the complex task of assessing the value of possessory interests, and (2) are not aware of the existence of these taxable interests in their jurisdictions. As was previously pointed out some assessors are of the opinion that the potential tax revenue from possessory interests are simply not worth the effort.

Nevertheless, a number of local tax assessors indicated that, on the basis of this study, they would be more active in the area of taxation of possessory interests on Federal land within their jurisdiction.

However, as can be seen from Figure 4-1 following page 90 there are wide variations in the various State laws and practices relating to the taxation of possessory interests. Furthermore, even with a particular State the practices of local taxing officials vary considerably with respect to these interests.

While these variations can be partially accounted for by the extent of Federal land ownership in a State or county, and the tax authority granted to local governments by the State statutes, some of these variations can only be understood by examination of the individual cases.

E. Summary

From the evidence available it seems readily apparent that in those States where there is significant Federal land ownership steps have been taken, statutorily at least, to permit the assessment and taxation by local authorities of various types of possessory interests, both tangible and intangible, in Federal lands. It is equally apparent, however, that a number of exceptions are made with respect to specific types of interests in various States and that in a number of instances those interests which may be taxed are, as a matter of practice, not being taxed.

In those States where Federal land ownership is less significant (20% or less) the States have made fewer efforts by statute or in practice to tax less-than-fee interests in Federal property. Where taxes are assessed in any of the States it is more likely to be on tangible property rather than on intangible interests therein, because of the difficulties in assessing the latter type of interest.

From the field work conducted, it appears that the revenues which might be realized through a more vigorous application of the existing state laws permitting the taxation of possessory interests are probably greater than is presently the case. There are a number of practical problems involved in this area and it is one which needs much further investigation.

XI. The Present PILT and RS System and Federal Public Land Management

A. The Effect of the Present System upon Federal Management Activity

One of the major efforts in this project was the collection of information from Federal land managers relating to the scope of their activities and the effects which the present system of payments to states and counties have upon their activities.

The case county digests contain descriptions of the scope of activities conducted by the various Federal agencies in the respective locations. Generally, it was found that these activities encompass a broad range of subjects, many of which are, in a way, extraneous to the pure land management and control function, yet in the broader sense they are related to the lands. The planning, design and construction of a road leading to a bird refuge is, indeed, related to the land administered by the BSF&W, but these types of activities cannot be termed as purely land managing. Similarly, the development of a water resource adjacent to a parcel in grazing may ultimately benefit the animals but not the land itself. Importantly, such activity enhances the utilization potential for such land. Are these diverse land management activities affected in any way by the existence of PILT and RS provisions, it was asked of a large number of Federal land managers? The answers obtained were an unequivocal negative. Federal officials in the local, state, regional and headquarters' offices alike have consistently reiterated that neither their policies nor their practices are affected by the provisions of the various revenue sharing statutes. Further probing of this subject has resulted in the identification of a few cases in which the local and regional Federal officials expressed a consciousness of the local governments' reliance upon receipts from revenue sharing and confirmed their desire to avoid, if at all possible, any large fluctuations in the annual amount available to such governments and particularly prevent substantial reductions. Such awareness, it was expressed, does not, however, affect the policies set for the management of the lands in a given county or area and would typically not change the sustained yield policy set for a given forest, even if the recipient government exerts pressures in that direction. County officials generally concurred with these expressions. In some of the counties, these officials expressed an awareness of the Federal officials' sympathetic approach to "protecting" the counties' receipts from revenue sharing. They also expressed their frustration at their inability to influence land management practices so that they might result in increased receipts.

The in lieu tax payments under the various existing statutes appear to be completely isolated from the Federal land management officials, except in respect of those programs which provide for periodic reassessment, such as in the BWCA. There, considerable pressure is exerted by county officials which may have some effect upon the reassessment activities, though this has neither been identified nor could such claims be substantiated without an impartial reassessment of the lands. In all likelihood, the pressures of local officials are destined to assure that reassessment takes place as frequently as provided by the statute or the administrative policies of the administering agency rather than affecting the method of assessment and the results. The pressures upon Federal personnel and the shortage of qualified assessors result in a tendency to defer reassessments for as long as possible and it is for this reason that county officials have become prone to keeping a watchful eye.

B. Economic Efficiency of Federal Land Management As Related to PILT & RS

Perhaps the most controversial subject, as seen from the various points of view, is the subject of economic efficiency in Federal land management. Often, economic efficiency is defined as a management practice from which the cost benefit ratio is optimized, i.e. the largest possible economic benefit is sought for the least cost. This definition leaves out the function of time, i.e. it does not attempt to ascribe the optimum ratio to either the near term or the long term, or both. Ideally, it does apply to the present and the future and seeks such compromises as might be needed in order to obtain the greatest net economic benefit over a stated period of time.

The two Federal agencies which manage the largest share of the Federal land resources, the Bureau of Land Management and the Forest Service, are also the two land management agencies which for some time have adopted the doctrine of multiple use management. The Forest Service, through the Assistant Secretary of Agriculture, has stated consistently that the principles of multiple use and sustained yield have been employed for 62 years. It was further stated that these two concepts "are employed in a planned combination that meets the needs of the Nation and provides skillful use and improvement of the land base."1/ The Department of the Interior generally concurs with the views expressed by the Department of Agriculture. The Classification and Multiple Use Act of 1964 authorized and directed the Department of the Interior to carry out multiple use and sustained yield management practices on an interim basis and upon lands "determined to be suitable for interim management in accordance with regulations promulgated pursuant to this act." Among the various land management agencies exist differences as to the definition of multiple use management. The National Park Service, for example, in a report submitted in 1962 to the Outdoor Recreation Resources Review Commission stated "We believe that the term 'national park use' would more accurately describe this Service's

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1/ Testimony of John A. Baker, Assistant Secretary, U. S. Department of Agriculture, before the Public Land Law Review Commission.

position, instead of multiple use, primary use, or single use." In the same report, the Bureau of Land Management stated:

> "To the extent that it has had land classification and resource management authority, the Department of the Interior, through its Bureau of Land Management, has for many years been putting into practice the principles of multiple use. In essence, these practices involve the determination without preconceived prejudices among the various end uses themselves of appropriate plans and programs for the management of tracts of land and the natural renewable and nonrenewable resources on the land and the determination of the land tenure and other use arrangements which can best realize the use-potential. Multiple-use theory and management practices, therefore, are an intimate part of Bureau of Land Management activities."

Finally, the Multiple Use Act of June 12, 1960 defines "multiple use" to mean:

> "The management of all the various renewable surface resources of the national forests so that they are utilized in the combination that will best meet the needs of the American people; making the most judicious use of the land for some or all of these resources or related services over areas large enough to provide sufficient latitude for periodic adjustments in use to conform to changing needs and conditions; that some land will be used for less than all of the resources; and harmonious and coordinated management of the various resources, each with the other, without impairment of the productivity of the land, with consideration being given to the relative values of the various resources and not necessarily the combination of uses that will give the greatest dollar return or the greatest unit output."
> (Emphasis Provided)

The purpose for raising the issue of multiple use land management is, of course, to contrast it with the objectives of maximum economic efficiency. As stated in the underlined portion of the excerpt from the 1960 Act, multiple use does not require as a stated objective the greatest attainable economic efficiency and this is precisely what this study has observed.

Without exception, all of the land management agencies have pointed out their cost-efficiency awareness. What this means is that they are attempting to obtain the greatest quantity and quality of activity for the least possible cost. But the results of these varied and diverse activities include many products for which commonly accepted monetary equivalents either do not exist or are not expressed in the resulting quantified benefits. Opponents of the Federal management practices have often claimed that the Federal land managers have found a convenient subterfuge in the multiple use policy, as it does not require them to maximize economic efficiency or to give an accounting in comparable terms of the resulting costs and benefits. Such assertions have generally been countered by the Federal agencies through statements which suggest that the general public does not fully understand the efficacy of this policy. In a report to the PLLRC, the Department of the Interior stated:

> "If multiple use management is to become fully effective over the public land segments where it is appropriate, the professional and statutory multiple use concepts must be more clearly understood by the general public. Multiple use management, if correctly understood, is not only good public policy -- it is good common sense."[1/]

Who is right and who is wrong? Extensive contacts with senior Federal land management officials during the course of this study have resulted in a judgment that the Federal agencies, in general, are as yet not in a position to prove to themselves whether their multiple use practices do, indeed, result in the best attainable overall values. Much work has been done and is still being done to obtain appropriate tools for measuring the results obtained from their extensive management activities and resource expenditures. There is unanimity among these senior officials for the need to develop improved tools of measurement, and to this end and in conformance with the President's directive[2/] the agencies are developing their planning programming budget system (PPBS). For the agencies to make full use of this system, multiple criteria and short and long-term objectives must be developed, and considerable activity in this direction has been observed.

It should be hoped that concomitantly with the development of improved tools for the measurement of the overall results, the Federal agencies will also develop cost accounting methods and procedures which would facilitate the identification of costs incurred for the production of market value goods. The principal reason presently for the inability to measure the cost benefit relationship as it applies specifically to the goods produced upon Federal lands and sold to private users is the absence of cost records which segregate the activities pertaining to such market value goods and those pertaining to other conservation activities. Officials of BLM have suggested that the segregation of costs between these types of activities would be most difficult, if

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[1/] Public Land Management, Identification of Problems-Analysis of Causes, U. S. Department of the Interior, Washington, D.C., March 29, 1968., p. 151.

[2/] President's Memorandum to the Executive Agencies, dated August 25, 1965.

not impossible. Other agencies have suggested that the accomplishment of such an objective would result in greatly increased administrative costs which might not be justifiable since these agencies are now exercising maximum cost efficiency. These claims cannot be supported. The needs for and the development of segregated cost records are not dissimilar to those of diversified private enterprises. Yet a large conglomerate with diverse objectives for its different activities, would neither be willing nor could it exist without properly assigned costs to each of its major activities. However, so long as such records are not created and in turn analyzed, it is suggested that neither this study nor the Federal agencies themselves could properly evaluate the economic efficiency of their activities as they relate exclusively to those activities for which there are commonly accepted monetary equivalents. Attention should be drawn to the analyses contained in Alternative No. 2 in Part 4 of this report. That Alternative not only proposes the distribution to states of the net revenues from the sale of proceeds and services on public lands but, for its proper operation, it presupposes that adequate cost records can be developed and that such economic efficiency can be attained so as to produce net revenues which in the aggregate exceed the revenues presently shared.

C. Transfer of a Greater Share of the Burden and the Benefits to State and Local Governments

Another objective of this study was to evaluate the feasibility of transferring a greater share of the burden presently upon the Federal agencies as reflected in their land management activities and concomitantly to assign a greater share of the benefits to state governments. There are at least two points of view from which this study aspect must be examined: (1) the states and local governments under whose jurisdictions the lands are located and which would have to assume part of the management burden, and (2) the Federal proprietorial mission.

1. The State and County Viewpoints: Considerable conflict was found in the views of the various state and county government officials interviewed during the course of this study. There are those who are eager for the opportunity to have more of the Federal lands turned over to their authority; there are those who are violently opposed. If any unanimity exists, it is in respect of the lands within the National Forest System. Most of the officials interviewed reflect their awareness of the technical excellence of the Forest Service management, especially of the commercial forests. That is not to say that many of these officials are satisfied with the sustained yield policies set by the Forest Service. In many areas the view prevails that these policies are too restrictive and that they impede the short-term economic progress in their counties. What everybody likes is the expertise of the Forest Service personnel. When these officials were asked what would be their attitude if with the land they would also obtain the services of this qualified personnel, they replied that they did not believe they could sustain the burden of supporting it. Such a reaction corroborates the inference

drawn from the analysis in Chapter No. VIII dealing with resource program expenditures. Put simply, it appears that the excellence of technical management is obtained at a price which no state or local government could sustain and, in fact, its cost must be supported from nonpublic land-related revenues.

Among the commercial users of grazing lands, a strong desire to participate in the land management functions was observed. Neither government officials nor user interests expressed any doubt as to their ability to manage grazing lands and to sustain the costs so long as they would not have to share user fees with anyone else but be able to apply them to the cost of management and resource development. If it is assumed that the resource program expenditures on grazing lands are essential and that a reduction in such expenditures would result in diminishing use and value, the contention that such lands could be managed and supported from user fees alone is invalid. It is beyond the scope of this study to analyze whether, indeed, expenditures could be reduced without affecting these lands' current productive capacity.

No one feels qualified to assume the functions of the Corps of Engineers relating to the various civil projects managed by it. Of course, state and local officials realize that these projects are funded by general appropriations and, unless it is hypothesized that such appropriations would also be available to non-Federal land owners, it is obvious that the states and local governments just could not perform.

There are, however some apparent opportunities for the transfer of a greater share of the burden from the Federal agencies to state and local governments. Considerable precedence exists for such transfers. In California, for example, departments of state government manage Federal lands in conjunction with state and private lands. Similar agreements exist in other states and among Federal agencies. In states such as Minnesota, with relatively large quantities of state and county lands, adjacent Federal lands might be turned over to state and local agencies for selected management functions. In fact, where these situations exist, it is reasonable to project that considerable efficiencies and cost reductions might result. This has been demonstrated in California where, by virtue of the Federal-state fire protection and fighting agreements, considerable sums were saved by BLM while the state's efforts were assisted by the relatively small fees paid it by BLM. Hence, from the state and local government point of view and not in conflict with the Federal view, there are selective opportunities for the transfer of certain managerial burdens.

Another area of a less tangible nature for the assumption of increased responsibility by state and local government falls into the realm of use policies. Similar to the example cited above relating to the management of grazing lands, a growing desire was observed by state, local and user group officials to participate in the land use decision-making process. As a matter of public policy, the various land management agencies are increasing their dialogue with the public and non-Federal officials. Typically, these relationships are in advisory capacities rather than in a joint decision-making capacity. It is not clear whether with the existing statutory provisions the Federal agencies would be at liberty to have non-Federal parties participating in the decision-making process and thereby share the management responsibility. There is no doubt, however, that such would be desirable as presently there is much criticism of Federal land management policies and practices by parties who, if they were participating in the management decisions, would have an opportunity to exercise positive leadership and not just be the spokesmen of purported adversely affected interests.

2. The Federal Proprietorial Function: In dealing with multiple use policy, it has been pointed out that it means different things to different people. It has been observed that either through the policy guidance provided by statute or the regulations and administrative practices promulgated by the responsible agencies, or both, each agency has evolved its own interpretation of the meaning of "what best meets the needs of the American people." There is no one place in the government nor any one agency which is responsible for setting uniform standards and for getting from the lands maximum benefits for the public good. There appears to be no common understanding among land management agencies and the public of how the public lands should be managed nor of the values by and for which successful management should strive. State and local governments, because of their consistent and increasing revenue deficiencies, are interested in current returns. The proprietorial interests vested in the Federal agencies are interpreted to have long-run objectives. This study is concerned with those aspects of land management which relate directly and indirectly to the present in lieu tax and revenue sharing system. In that context, there is abundant conflict between the proprietorial function of the Federal government as interpreted by the various agencies and the objectives of the people as expressed by their state and local officials. Perhaps, the gap between these might be narrowed through a uniform interpretation of the proprietorial function of the Federal agencies by either a single Federal authority or appropriate Congressional directives. Such interpretation might also be responsive to and considerate of the inequities and revenue deficiencies to state-local governments from the tax immune status of Federal lands.

PART 5

POLICY ISSUES AND ATTENDANT PROBLEMS OF THE EXISTING PILT & RS SYSTEM, ANALYSES OF PRINCIPAL ALTERNATIVES

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PART 5

Policy Issues and Attendant Problems of the Existing PILT & RS System,

Analyses of Principal Alternatives

I. Introduction

The need to develop and implement alternatives for the present PILT and RS system has been the subject of a large number of Congressional hearings, Committee studies, writings by scholars and interest groups and also public hearings before the PLLRC. The development of and approach to alternatives for the present piecemeal legislated system involves, foremost, the consideration of a number of policy issues of a most complex nature. This complexity is brought out in a quotation from the House Interior and Insular Affairs Committee, Print No. 23 (83rd Congress, 2nd Session, May 13, 1954), as follows:

> "Basic to any decision for allowing State and local taxation of Federal property or making payments in lieu of taxes, is a decision on some general principles. What type of property should be included and which (if any) excluded? What type of payment should be made? Who should administer the law, what should the procedures be, should there be a right of appeal?
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> "The simple statement of these questions fails completely to suggest the maze of complexity which confronts one who is looking for an answer to the problem. We can all agree that reasonable guides and standards for attaining equity between the States and the Federal Government should be established. It is quite a different thing to secure agreement on these guides and standards, and actually write them into an understandable statute.
>
> "Practically everybody who has examined the problem agrees that payments (taxes or in-lieu payments) should be made on some types of Federal property. And again practically everybody agrees that there are some properties which should be completely exempt from any payments. We can all agree that the cost of national functions and programs should not impose an undue burden on local taxpayers through Federal tax exemptions. But what is an "undue burden"? There is agreement that, insofar as feasible, the United

> States should avoid the impairment of the finances of State and local governments by reason of its acquisition of property. It is something else to find agreement on when the presence of Federal property is the cause for any impairment of the finances of a particular State or local government, and if there is impairment how it should be corrected."

The foregoing quotation, which refers principally to the in lieu tax aspect of the problem, is amplified with the following citation from the study committee report on Payments in Lieu of Taxes and Shared Revenue, commonly known as the Kestenbaum Report, submitted to the Commission on Intergovernmental Relations in June, 1955:[1]

> "There is no general agreement concerning the exact philosophy behind revenue sharing arrangements, generally, or behind any particular arrangement. What is clear is that the device of revenue sharing is generally accepted by local, State and Federal officials as a suitable method for Federal payments to States and local governments because of the Federal property holdings involved. Furthermore, it is clear that the yardstick most commonly utilized to measure the inadequacy of the State or local share of the income receipts is the amount which would be received in property taxes were the lands privately owned. This is especially true with respect to lands which are acquired by the Federal Government under circumstances which remove them from State or local property tax rolls. In such cases, the concept of a local beneficial interest in the properties under revenue-sharing arrangements and the concept of a State or local claim limited but fully equivalent to tax losses, as in the case of private property, may be found existing side by side with no apparent indication or realization that they may be inconsistent with each other."

Historically, the problem of whether the Federal Government should contribute to the support of local or state governments because of its property holdings arises primarily in the western states, containing most of the public domain. However, the problem of Federal immunity acquired a new aspect through the enormous growth of Federal property ownership during the thirties and forties out of programs involving housing and resettlement, expansion of national parks and forests and most land acquisitions for irrigation, flood control, reclamation and power developments. Much of this growth enveloped lands previously on local tax rolls. In hearings before a special subcommittee, Committee on Government Operations, 83rd Congress, 1st Sess., on H.R. 5605, July 20-21, 1953, a spokesman for local governments maintained that "the rapidly growing amount of Federally owned real estate has reached the point, in some instances, where it threatens the financial integrity, if not the very existence, of local government units."

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[1] Payments in Lieu of Taxes and Shared Revenues, Study Committee on Payments In Lieu of Taxes and Shared Revenue, GPO, June, 1955, p. 90.

While the Congress has apparently recognized the existence of inequitable and outright hardship conditions in many instances in which the further removal of lands from the local tax rolls was contemplated, for example, the in lieu tax provisions attending the purchase of lands for the St. Lawrence Seaway, critics of the existing PILT and RS programs describe them as lacking a clear-cut, uniform policy. These programs with the many laws applying to them are labeled as inadequate, reflecting no consistency of policy, lacking comprehensiveness and striking diversity.

In summary, it has been held by the many opponents to the present conglomeration of laws, practices and programs that the individual laws are the results of compromise and expediency. Furthermore, the piecemeal development of heterogeneous provisions, lacking a common principle, imposes unequal burdens on different states and local governments and a complete overhaul of the entire system is the only promising solution.

Admittedly, the mandate of PLLRC is specifically confined to the lands specified in Section 10 of PL 88-606. However, in approaching the analyses of potential alternatives to the existing systems, it became clear that the phenomena applicable to these specified lands do not vary from any other Federal lands of comparable type, class or use. Hence, except where such distinction has been made, it may be understood that the reference herein is to those lands which are properly within the purview of this Commission, though, as stated, they may be equally relevant to other Federal lands.

II. Principal Policy Issues

Critics of the present system have identified an astonishingly large number of flaws, as seen from their specific viewpoints, while the disinterested analyst will mostly find an interrelationship, if not overlap, in the various deficiencies. There is little value in a recitation of the viewpoints expressed in the many official records and the literature on the subject. Their review and the results of this study provide the insight to the main thrust which is clearly embodied in two complementary areas:

1. Absence of any uniform set of principles defining the nature of the Federal Government's responsibilities to make payments to states or local governments by reason of its property holdings.

2. The motley array of payment arrangements which vary from none at all to revenue sharing arrangements exceeding the return that would be obtained if the lands were privately held.

The discussion following attempts to identify in some detail the major policy issues which bear upon the weaknesses of the present system. This discussion, moreover, relates to the important issues to which alternatives for the present PILT and RS system must be addressed.

1. Should the Federal Government Make Payments

The first policy issue that arises is the question of whether or not any payments should be made to state and local governments to compensate them for the loss of revenues because of the tax immunity of Federal lands. In one sense, this may be viewed as an academic issue since more than 60 years of Congressional experimentation with various kinds of PILT and RS programs suggest that the question has been answered affirmatively and that little can be gained by rephrasing or belaboring the question here.

In another sense, however, it has been asserted that public domain lands are a national heritage and the Federal government is under no obligation to compensate directly affected state and local governments because these lands were never on the tax rolls of these governmental units.

Furthermore, it is contended that state and local governments obtain substantial direct and indirect benefits from expanding Federal land related programs, benefits that would not occur if the lands were privately owned.

A conclusion that could flow from this approach is that the affected state and local governments must adjust their financial structures to permanently recognize the cost and benefits of Federal lands, which are characterized by greatly expanded programs compared to the Federal programs that existed when the current revenue sharing policies were adopted.

It can be noted in passing, however, that the Congressional decisions to direct some financial aid to state and local governments because of the tax immunity of Federal lands was made long before the service requirements of state and local governments forced them into the mammoth expenditures which characterize their current fiscal policies, e.g., annual rates of expenditures for goods and services which had reached a level of $77 billion in 1966 and which have continued to increase. If the Congress decided that financial aid by the Federal Government was necessary before state and local government expenditures reached their current levels, the probability that the policy will be reversed in the face of these state and local revenue and expenditure requirements is quite small.

In any event, the contention that no RS and PILT programs should apply to state and local governments in which Federal lands occur is a philosophical point that cannot be resolved here. With regard to the contention that peculiar economic benefits accrue to communities with Federal lands, the extensive research conducted in this study as well as other Commission studies has not revealed the existence of a study with general significance or application in support of this contention.

Thus the rest of the issues to be discussed here relate to the problems inherent in making the existing or alternative RS and PILT systems a more viable instrument of public policy.

2. The Level of Federal Payments

The basic, if not the principal policy issue, is the question of what should be the level of payments to state and local governments by the Federal Government for offsetting in part or in whole the tax immunity of Section 10 lands, assuming that the Congressional decision to apply some kind of RS and/or PILT system will be affirmed.

The affirmation by Congress that some form of compensation policy should apply to the large acreage of rural lands held by the Federal Government, as mentioned earlier, has not produced a consistent policy with respect to the level of such payments. Perhaps the most obvious characteristic of the current system is its heterogeneous collection of compensation devices, from which it is difficult to extract two that have identical distribution features. This lack of uniformity in turn has precluded the possibility that a single variable schedule of payments be made across the board to state and local governments. Thus the analysis of alternatives following inquires directly into the question of rationale for determining an appropriate level of payments to state and local governments. As the question of level of payments is considered by various policy making bodies, the comparison of payments under the existing system or inherent in various alternatives with the amount that would be forthcoming if Federal lands were subjected to a full tax equivalency payments system appears to be particularly relevant.

3. Federal Payments to State or Local Governments

Another issue of major importance is the question of recipient unit -- state or local government? The importance of the issue derives from the fact that a decision must be made with reference to recipient units of government irrespective of the kinds of programs used or level of payments made.

The issue is not permissive of simple solutions. For example, it may be argued that all payments should go to local governments because they suf the direct burden of lost property taxes. However, state governments also have the power to levy property taxes and the fact that they have tended in recent years to substitute less regressive taxing systems for property taxes in order that local governments should have greater access to this revenue source does not mean that state governments are therefore not subject to loss because of the tax immunity of public lands.

Moreover, a decision to direct all Federal payments to units of local government should overlook the important contribution state governments make to the fiscal health of local governments in the form of direct and indirect absorption of local government tax burdens.[1] State grants to local governments for meeting welfare spending requirements and state education equalization programs are examples of this propensity on the part of state legislatures. Furthermore, this study cites evidence that suggest state government makes an even greater contribution to those counties in which the tax base is significantly affected by the existence of Federal lands. Thus a case can be made that state government is currently bearing an important part of the burden of the tax immunity of Federal lands and that this might well be recognized in the distribution of Federal funds.

On the other hand, it must also be remembered that local governments are importantly dependent under current tax arrangements upon property taxes and thus suffer a direct loss of potential tax sources when Federal lands seriously impede this property taxing process.

Under existing programs the same lack of uniformity that characterizes the approach to the level of payments is found with equal force in the absence of a consistent pattern of recipients of Federal payments. Indeed in the two programs with the largest payments, the Forest Fund and Mineral Leasing programs, the forest payments accrue to the states for distribution to the counties while the mineral payments are made directly to the states. The legislative history of the acts does not suggest that the different recipients in the two programs were chosen because of specific rationale nor that the question of recipient units of government has been recognized as an important policy issue.

4. Source of Funds for PILT and/or RS Programs

The source of funds is yet another basic policy issue in considering payments from the Federal Government to state and local governments. Should these funds derive entirely from the receipts of the various resource programs or should payments also be made from the General Fund of the Treasury? To the extent that a revenue sharing program prevails, of course, the question is answered because only program receipts would be distributed. Under a payments in lieu of taxes program, however, payment obligations could exceed the receipts of resource programs and thus use of the General Fund might be necessary. There is no reason to assume that resource program receipts would always provide sufficient funds for a PILT system. First of all, not all the activities of the management agencies on public lands are concerned with market-type programs that generate significant revenue flows; secondly, the specified level of payments might be fixed while revenues from sale of products and land use will vary.

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[1] Cf., George Break, Intergovernmental Ralations in the United States, The Brookings Institution, 1967. Among the relevant data cited, Break points out that 35% of state government expenditures take the form of payments to units of local government, and that these receipts represent 29% of total local government revenues.

In the existing system, PILT programs are tied to and restricted by the flow of revenues from the affected lands or programs. Although a general PILT program could require General Fund financing, the PILT alternative for which empirical estimates are derived in this chapter could be absorbed from revenues flowing from current resource programs.

5. Economic Considerations in Federal Land Management

Public land management agencies typically are involved in managing public lands for a variety of purposes, the so-called multiple-use philosophy. Some of the programs are essentially nonmarket in orientation, e.g., recreation, erosion control, wildlife management. For these kinds of programs the market system fails to provide a monetary evaluation of the benefits derived and the programs are usually not considered in terms of providing a market good.

For other types of programs, however, the management agency is essentially concerned with managing a resource for use in the ordinary channels of commerce. Thus, timber is cut from the National Forests by private lumber companies for processing and distribution through the market process; likewise with grazing and mineral leasing activities. The question which necessarily arises in the conduct of these programs, then, relates to the desirability of treating these activities as essentially commercial and applying market rules of conduct in determining the allocation of the resources. This involves the calculation of revenues and costs for the purpose of maximizing the net return to the resource activity over time.

Under the present system, the multiple-use principles of management agencies have precluded this treatment of even those activities that are essentially market oriented. Thus, it is not possible for agencies to identify the costs and revenues associated with these market-type activities because their accounting records, particularly on the cost side, are not established for this purpose.

It is a legitimate question, however, whether the Federal Government in the conduct of market-oriented resource programs should not more closely approximate the rules of the marketplace in determining the allocation of resources based on cost and revenue considerations.

The level and distribution of a system that explores the possibilities of a market-oriented program of Federal resource management is developed in Alternative No. 2 of this part of the report.

6. Land Location As a Payments Distribution Factor

Under the present system, funds are distributed to the specific states and counties in which the revenues are generated. Thus, because Federal lands are centered for the most part in the West, the bulk of payments accrue to these western states and counties. The rationale is that these are the units of governments which suffer directly from the tax immunity of Federal lands and payments should be made to them in order to compensate for this loss.

Within this system, where the location of the lands from which current revenues are generated determine the recipient of shared revenues, it has been suggested that modifications are necessary to effect a more equitable distribution of shared revenues between resource-rich and resource-poor Federal lands. Thus, instead of returning shared revenues only to the state and/or county in which the program receipts are generated, it has been asserted that the large revenues generated by timber and mineral programs should be shared with those states and counties that have large Federal land holdings, but upon which the economic activity is minimal, e.g., grazing lands.

An entirely different point of view, which would represent a basic shift from established distribution policy, would substitute population location for land and resource location as the determining factor in the distribution of shared revenues. The impact of this would be a complete redistribution of funds toward those states with large populations, California being the only western state that would qualify as a principal beneficiary. The rationale for this distribution, as noted in the discussion of (1) above, is that the Federal Government holds the public lands in stewardship for the entire country and all its people and therefore all people should share in the monetary benefits of these Federal lands. This rationale suggests that the existing distribution formulas based on location of the Federal lands has the effect of subsidizing public land states at the expense of non-public land states.

The distributional effect of the population distribution alternative growing out of this policy issue is explored in Alternative No. 8 in this part of the report.

7. Effect of Possessory Interest Taxation

Another important consideration is whether and to what extent should Federal payments be affected by the propensity of state and local governments to apply possessory interests taxation to users of Federal lands. Although the Federal lands are immune from taxation by state-local government, there is nothing in Federal law which precludes the taxation of possessory interests in Federal land. Thus, it is permissible, in the absence of state law to the contrary, for local governments to assess such assets as mining improvements on Federal lands, the value of grazing permits, and recreational and commercial leases on public lands. The fact that there is a large disparity in state and local treatment of possessory interests taxation suggests that the burden of Federal lands is borne unequally by different states and counties because of their lack of a consistent pattern of possessory interests taxation.

The policy issue that derives from this dissimilar treatment is whether Federal payments should be conditional on the degree to which state and local governments apply possessory interests taxes where feasible. The rationale of this suggestion is that state and county governments should seek equalized treatment of Federal land users and non-Federal land owners before the Federal Government makes any payments based upon the tax immunity of Federal lands.

The opposing position is that payments by the Federal Government should not be concerned with what state and local governments prescribe by way of possessory interests taxation. To make Federal payments conditional upon consistent possessory interests taxation principles would allegedly constitute an invasion of the taxing policies of state and local governments. Additionally, such a requirement is basically irrelevant to the core issue, namely, the provision by the Federal owner of revenues which would accrue from private ownership.

8. Earmarking of Federal Payments

Should the Federal Government earmark PILT and RS distribution for particular state and local functions, e.g., education and highways, or should the payments be unrestricted? One of the major findings of this study has been the lack of consistent patterns of PILT and RS programs with respect to level of payments, recipient of payments, etc. Similarly, there is variation in the earmarking provisions built into current programs. The RS programs uniformly have restrictions, while the more recently authorized PILT programs do not.

This study also established the complete absence of administrative checks by Federal agencies on whether earmarking restrictions are observed by state and local spending units.

Thus the issue must arise as to whether it is in the interests of the Federal Government or the recipient state and local governments to continue earmarking restrictions which are of doubtful validity in the first instance and not enforced in the second.

9. Averaging Annual Payments to Even Revenue Flows

Recognizing the large fluctuation in annual payments to many of the recipient governments and their effect upon an orderly budgetary process, the issue whether the Federal Government should attempt to even out the flow of revenue sharing payments through the use of moving average distributions is raised. This policy issue applies with particular force to county governments where shared revenues can be an important, although relatively small part of county budgets. Because shared revenues represent such a small part of state receipts, the issue is probably academic insofar as states are concerned.

County officials, as noted in the case studies, sometimes voice concern about the fluctuations in shared revenues and the difficulty this poses for financial planning. Thus, it has been occasionally suggested that payments to counties should be based on a five-year moving average rather than on current program receipts. For counties in which there is an upward trend in shared revenues this would mean that current payments would be slightly smaller than would otherwise be the case. For counties in which there is a downward trend, a moving average would tend to even out the yearly decline.

From the Federal point of view the policy maker must consider whether there are not other fiscal devices available to county administrators which would accomplish a more even distribution of receipts, e.g., a sinking fund reserve from which an even flow of revenue would be obtainable.

The implications of a five-year moving average are explored in Alternative No. 9.

10. Interrelationship of Federal Payments and State-Local Expenditure Needs

This study has demonstrated the differential growth rates of state and local government expenditures on the one hand and PILT and RS distributions on the other. The tendency for state and local expenditures to outdistance PILT and RS payments is attributable in large measure to the fact that RS systems in particular are not responsive to the fiscal policies of state and local government because they are related to severance of market goods on Federal lands and not state and local finance. A PILT system, on the other hand, is somewhat more flexible in relation to state and local spending.

A natural inquiry, from the point of view of state and local governments significantly affected by Federal land holdings, is whether Federal payments should be more closely tied to their expenditure needs. Part of this issue centers around the relative desirability of an RS program as opposed to a PILT program. Shared revenues will bear no necessary relationship to state and local spending whereas a PILT system, based to some extent on state and local property tax rates, will tend to reflect expenditure levels.

The implications of this issue, which also bear on some of the other discussions in this section, particularly whether Federal payments should be limited to resource program receipts or should also come from the General Fund, are found largely in the degree of responsibility the Federal Government is willing to accept because of the tax immunity of its lands. A revenue sharing program limits this responsibility to resource program receipts; a PILT system, by its nature, makes Federal payments more responsive to the revenue needs of state and local governments.

11. Difference in Treatment - Acquired and Public Domain Lands

One of the features of the present system is the tendency for Congress to apply revenue sharing programs to public domain lands and acquired National Forests. Many of the recent programs, particularly for non-Section 10 acquired lands, however, use PILT rather than shared revenues. Another feature is the tendency to limit PILT programs to the receipts generated by resource programs, e.g., TVA and Coos Bay Wagon Road payments.

The rationale for distinguishing between public domain and acquired lands may be the fact that since public domain lands were never on the state and local tax rolls, the Federal Government is under no obligation to afford them payment in lieu of taxes treatment. On the other hand, since acquired lands were removed from tax rolls, the Federal Government evidently may feel an obligation which is more adequately fulfilled by payments in lieu of taxes. This dual treatment tends to ignore the western contention that the reason public domain lands were kept off the tax rolls was a change in public land disposal policy precluding private entry in the face of withdrawals, reservations and classifications for Federal retention. Potentially, of course, all Federal lands are susceptible of property tax assessment and states and counties in public domain areas sacrifice this potential just as much as states and counties that at one time had access to this property tax source. Nevertheless, the issue arises whether it is desirable to continue distinguishing between acquired and public domain lands for PILT and RS programs.

12. Effects upon Other Land Related Benefit Programs

Another policy consideration involves land related benefits accruing to public land states such as BPR Sliding Scale Highway Aid, National Forests and public land highways, and that section of the impacted school aid program which relies upon the presence of public land. The question is whether, in the event of the adoption of a generalized PILT system, these land related benefits would be replaced by the generalized PILT system or whether they should remain in force.

The proponents of a full tax-equivalency PILT system envision it as a replacement for the heterogeneous array of revenue sharing programs that now characterize Federal land related payments to states and counties. They would leave undisturbed the other land related benefits accruing to public land states.

On the other hand, if these kinds of land related benefits were originally designed to partially offset the tax immunity of Federal lands, then their justification, in whole or in part, may be removed by a full tax-equivalency PILT system.

Unfortunately, the Congressional rationale for these land related benefits may not identify sufficiently their relationship to the tax immunity of Federal lands; thus, the issue may have to be decided on the basis of current rather than historical rationale. The impact of both systems -- PILT instead of RS, but in addition to other land related benefits and PILT instead of RS and other land related benefits -- is explored in empirical detail in Alternative No. 1 in this part of the report.

13. Functional Relationship of PILT and RS Programs and Land Management Policies

This study has found that, for the most part, there appears to be no current policy by Federal land management agencies to treat PILT and RS programs as anything more than accounting devices for satisfying the requirements of the law. Indeed, the laws themselves give the agencies no suggestion that anything more than accounting processes should be used in determining PILT and RS payments.

Occasionally, however, a question is raised with respect to the validity of this process. Should not land management agencies interpret the law as being more permissive of manipulating PILT and RS payments to accomplish specific Federal, state and/or local objectives? In times of economic distress in particular counties, for example, should the Forest Service adjust its allowable cut policy to effect a higher cut during the period of economic decline, thus increasing the flow of revenues to county government and increasing the level of local employment?

The other side of the question is whether land management policy should become concerned with specific social issues such as income and employment levels and local government financial adequacy or whether these problems are best treated through other agencies and programs. In support of the latter, Federal land management agencies typically assert that multiple-use management cannot but consider the fiscal needs of state-local governments as one of many important management considerations.

14. The Treatment of Mineral Leasing Act Revenues

Estimates provided in Appendix 2 of this study suggest that there is a wide discrepancy between the amounts originating in certain states and paid into the Reclamation Fund and the amounts the states receive directly from this fund in the form of reclamation projects. Thus the question arises, in considering the distribution of Mineral Leasing Act income, whether the 52.5% currently earmarked for the Reclamation Fund should be returned to the states more directly through the existing or alternative distribution systems. Alternative No. 2 in this section investigates the impact of a central fund partially financed by payments now made to the Reclamation Fund. Other RS alternatives also consider the effect of this Mineral Leasing Act income in the level of funds available for distribution.

15. Payments on the Basis of Net Versus Gross Receipts

Provided revenue sharing is retained as the basic program for compensating state and local governments for the tax immunity of Federal lands, consideration of whether payments be based on net or gross receipts is also indicated.

The only current program in which the distinction between net and gross receipts is an important determinant of the level of payments is the National Forest Fund. Because K-V collections and timber access road and slash removal costs are in effect not included in the amounts of revenues upon which distributions to counties are calculated, there is a reduction in payments from this program of about $20 million annually (25% of $80 million). The issue has been raised as to whether these amounts should be included in the fund from which the 25% distribution to counties is made.

One alternative RS formula suggests that state-local governments be given a choice between sharing gross revenues from National Forest receipts or sharing net benefits plus a fixed amount per acre. This alternative is analyzed in Alternative No. 7 in this part.

16. In Kind Benefits and State-Local Burdens

During the conduct of the case studies an attempt was made to quantify the magnitude of Federal in kind payments to state and local governments and the magnitude of state and local expenditures brought about by the existence of Federal land holdings. An example of the former is construction material furnished local governments free of charge by Federal agencies from Federal lands; an example of the latter is local expenditures for maintaining Federal highways.

Some county officials were unable or reluctant to specify local costs; Federal agencies could offer little more than rough estimates of the value of in kind benefits afforded state and local government. Thus the quantification is necessarily approximate and prolongs the dialogue about the relative values of the two processes.

Some advantage might be gained by having these activities placed on a market basis. Thus, in the examples used above, the Federal Government would charge the current market price for construction materials from Federal lands and local government would bill the Federal Government for the costs incurred in maintaining Federal highways.

Although peripheral to the subject of PILT and RS, and not of the order of importance of policy issues such as the level of PILT and RS payments and recipient units of government, resolution of these questions would help to clarify the relationship of Federal lands to state and local tax burden.

III. Principal Alternatives

The rest of this part is devoted to discussion of some of the principal alternatives to the current PILT and RS programs, some of which were mentioned already. Although hundreds of alternatives have been proposed over time, the following analysis focuses on nine general categories of alternatives, each one of which is subject to manipulation to show how variations would affect the level and distribution of payments. Thus it is possible to consider the potential of a much larger set of alternatives than is specifically discussed, simply by changing, for example, the percentage distribution of a particular revenue sharing alternative.

The nine alternatives chosen for intensive analysis in this chapter were selected on the basis of current concern for their adoption, as reflected in the public hearings of the Commission as well as in popular and professional literature, and because they represent general approaches to the issues, capable of subsequent analysis for the determination of the effect of generic variations.

ALTERNATIVE NO. 1

Federal Government Should Make Payments in Lieu of Taxes on Its Property, As if the Property Were Privately Owned

1. Introduction

The sponsors of this alternative propose that, in lieu of the variety of current in lieu tax and revenue sharing programs, a single uniform system of payments in lieu of taxes be adopted. While the various proponents of this approach to the provision of Federal payments to states and local governments do not appear to have defined precisely whether such a system of in lieu tax payments would replace all Federal land-related payments to states, counties, school boards, special districts and agencies of the Federal government for the benefit of improving the lands and the access to them, it is evident that such a system would replace, at a minimum, the current revenue sharing provisions and in lieu tax payments which accrue directly to the various states and which are either retained by them or disbursed to their units of local government.

The analyses contained in this chapter have considered two options: (1) that only current PILT and RS programs are replaced by the proposed in lieu tax system, and (2) that the former and the BPR Sliding Scale Highway Aid and the Federal Highway Aid programs be replaced by the proposed system. Both concepts have been tested as to their estimated impact if they had been applied in 1966.

The proposed in lieu tax system relies upon the following concepts:

A. State and local governments should receive a consideration from the Federal government in the form of annual cash payments where the Federal government holds land within the geographic confines of their respective jurisdictions which would, if it were privately owned, yield governmental revenue through real property taxation.

B. Such payments should be equal to the tax revenues which would accrue to state and local units of government if the lands were privately owned.

C. The in lieu tax payments made to state and local governments by the Federal government should replace the current Federal land-related payments and should be financed from general appropriations while the income derived by the Federal government from the economic activities upon its lands would be deposited to the General Fund of the Treasury.

D. Basically, the system proposed is intended to establish equality between Federally and privately owned lands. Implicit therein is the intent to have the Federal government pay its proportionate share of the cost of state and local governmental services just as the private landowner is required to do. Basing the system for Federal payments on an ad valorem concept appears to be the only approach which can be applied uniformly to all types of Federal lands and in all classes where they exist. Uniform application means uniformity in the methods underlying the calculation of annual payments which must vary to reflect land values, quantities and assessment and tax-related practices in the various states.

2. Methods and Features

The alternative discussed herein is intended to operate in the following manner:

A. The Federal government would make annual payments to the states in which it owns lands presently and prospectively. While the analysis herein is restricted to lands as defined in Section 10 of PL 88-606, the proponents of this alternative have not made this distinction and the in lieu tax payment system is conceivably applicable to all types of Federal land including public domain, acquired, and donated lands.

B. Basic to any property tax system are determinations relating to land values, assessment rate (the percentage of true or market value to be applied to the tax rate) and the tax rate. It is intended that in respect of these basic factors Federal lands be treated in a similar manner as afforded to private lands including the rights of appeal and adjustments.

C. In view of the fact that most Federally owned properties have not been assessed by state and local governments and only a small share of the Federal land ownership has been assessed by the Federal land management agencies, the implementation of the proposed in lieu tax system would require the assessment of all Federal lands, and such assessment to be conducted in a manner which is consistent for all Federal lands and acceptable to the states and their units of local government. To accomplish this large undertaking, a series of actions are necessitated. These include the development and promulgation of guidelines for assessment procedures. Such have been developed by several of the Federal land management agencies and the combined body of knowledge on this subject including that developed by private land and property assessors are considered to be adequate for the development and promulgation of the needed guidelines.

To assure fairness and objectivity in the assessment of Federal lands, the establishment of assessment boards comprised of representatives of Federal, state and local governments and impartial members of the public should be considered. This practice is also likely to enhance the acceptance of assessed values by state and local governments.

Realizing that assessment practices vary greatly between the different local and state jurisdictions because of the different tax policies adopted by these units of government and in order to assure uniformity in the prospective in lieu tax payments of the Federal government, assessed values should be on an equalized basis, presumably full market value, which would then be related to the market value-assessed value ratio existing in the several states.

D. The proposed system is to have built in checks preventing inordinate in lieu taxation of Federal lands. While no attempt would be made on the part of the Federal government to restrain or prevent state and local governments from increasing assessment and tax rates within areas of their proper jurisdiction, they could not be allowed to arbitrarily increase the burden upon the Federal Treasury. To prevent such possibilities a uniform national system providing for uniform assessment would partially meet this need.

E. The administrative apparatus needed for the implementation and continuing operation must be national in scope and should comprise all Federal lands irrespective of the Federal agency charged with management and/or utilization of the various lands. Potentially, the administration of the in lieu tax payment system would be delegated to the General Services Administration which is currently national in scope and discharging a large variety of custodial responsibilities. It is impractical to estimate the annual cost of administration as this would depend, in large measure, upon policies and practices which, as yet, have not been established, including the selection of the administering agency. However, it is quite obvious that the activities necessary prior to implementation will require a large-scale effort, primarily in land assessment and the resulting documentation and preparation of a national data file. It should also be recognized that for the execution of these pre-implementation efforts, a large number of persons with appropriate skills will be needed.

F. Payments shall be made to states for whatever redistribution to counties state law or fiscal policy suggests. States' governments are both major recipients and dispensers of intergovernmental funds. Recent history clearly indicates that though state payments to local governments have increased substantially, decisions on the application of funds, be it either prespecified programs or where no pre-designation is made, is left in large measure with local authorities. It is considered desirable that the Federal government's in lieu tax payments, and for that matter any other Federal land related payments, be channeled in the same manner.

3. Advantages of the Alternative

Following are the major indicated advantages of the proposed system:

A. It is amenable to a central management and disbursing operation. The various land management agencies would not necessarily be involved with the administration of the system except to the extent that acquisitions and dispositions as well as major changes in land uses which would have to be reported to the central agency.

B. The annual level of payment would be predetermined, known to the recipient and thereby be useful in the development of state and local budgets.

C. The annual payment is amenable to disbursements on an installment basis, quarterly or semiannually, thereby providing cash funds to the recipients more rapidly than current annual payments.

D. Given proper guidelines for the administration of the system, it can be truly uniform and avoid inequities and unfair treatment between different recipient units of government.

E. The system is independent of intensity in economic land use, except as this influences land values, thereby protected from fluctuations in demand for goods and services from the public lands. As such, it is "recession proof" thereby providing revenues in times when the need is the greatest.

F. It does not preclude taxation of third party interests in Federal lands and the levying of severance or use taxes for products or services from the public lands and obtained by the private sector.

G. Given the basic efforts needed for its implementation, total annual payments will be relatively stable.

H. The system lends itself to easily implemented adjustments such as threshold provisions, variations in threshold provisions, increases in the annual payments on a per acre or value unit basis and, likewise, reductions on the same bases. An approach to and the potential effects of threshold provisions is discussed in Section 5 of this alternative.

I. The system would operate independently of the land management criteria of the various land management agencies and protect them from pressures of state and local governments for increased shared revenues.

4. Disadvantages of the Alternative

A. Establishment of the administrative machinery for the implementation of the system is extensive, requires a large-scale effort by professional personnel who are in short supply, primarily in a field, e.g. land valuation, for which no precise standards exist. As a result, some delay and considerable expenditures, system development, and personnel training efforts would be needed.

B. Unless the system is uniform as to assessments and tax rates, which in itself is a disadvantage because it would not reflect current state and local government dependencies upon property taxes, the administrative checks needed to protect the Federal interest from inordinate tax rates would be difficult to promulgate and enforce.

C. A very large-scale data bank must be established and maintained at considerable cost (utilizing modern automatic computing and data storage equipment. This disadvantage can be minimized. It can be further reduced if alternate uses of the data are made by the various land management agencies, a need which presently exists.)

D. A system based on land values is not specifically responsive to revenue needs or the "ability to pay." It is regressive in terms of modern fiscal and tax policies.

E. Total cost to the Federal government is likely to exceed the current payments made under the various revenue sharing and payments in lieu of taxes programs.

F. The independence of the in lieu tax payments system from the land management activities deprives the land management agencies of a valuable incentive to obtain economic efficiency in their land management practices.

5. Test of This Alternative Applied to 1966

The sponsors of this alternative have neither analyzed its prospective impact upon state and local governments nor have they provided a method for evaluating the prospective impact. In order to obtain an estimate of the prospective impact upon recipient governments and the cost to the Federal government, it has been necessary to develop methodology for the estimation of the current market value of Section 10 lands and to determine an applicable effective tax rate to estimate the potential tax revenue from such lands. While it is not suggested that the method applied in this test is useful for the implementation of the proposed alternative, it is considered to be adequate for the development of the needed estimate. The methods employed and the derived results are hereafter described.

A. Market Value of Federally Owned Land

The House Committee on Government Operations has for several years assembled and published a "Federal Real and Personal Property Inventory Report." Known as the Dawson Report, this document in 1966 contains estimates of the present day value and acreage of public domain land as compiled by the federal agencies. The Dawson Report also contains certain information on the purchase cost of acquired lands in Federal ownership. As far as Federally owned acreage in the United States is concerned, the Committee reported a total as of June 30, 1966 of 764,762,128 acres. The same set of data were also provided by the General Services Administration. On the basis of the information from this source, the steps involved in estimating the market value of Section 10 land included disaggregation by type of land, exclusion of certain lands and estimation of components in order to aggregate to new totals. It should be pointed out that these data, though, have considerable shortcomings including lack of uniformity of assessment procedures. Regrettably, a better data source for this purpose does not presently exist.

Table ALT-1a shows the acreage of Section 10 lands in the United States and their aggregate estimated market values as of June 30, 1966.

Table No. ALT-1a

ACREAGE AND MARKET VALUE
SECTION 10 LANDS IN THE UNITED STATES, JUNE 30, 1966

Type of Land	Number Acres	Market Value ($)	Value/Acre ($)
Total - - - - - - - -	734,429,712	13,014,269,000	17.72
Public Domain- -	708,676,015	12,775,428,000	18.03
Acquired - - - -	25,753,693	238,841,000*	9.27

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*Represents reported acquisition costs allocable to the acquired lands

Sources: Based on Federal Real and Personal Property Inventory Report, June 30, 1966, Committee on Government Operations, U. S. House of Representatives.

In estimating the market value, data was lacking on the value of acquired land. The Dawson Report. however, does provide a total acquisition cost of the land (exclusive of the cost of betterments) held by each agency in the United States, although similar data is not available by state. It is assumed that this purchase cost reasonably approximates the value of the acquired lands in line with the statement of the Committee on Government Operations that the acquisition costs of these lands "...may also represent present-day evaluations," (since the Federal government pays on the basis of the current market price at the time of acquisition.)

To develop the market values of Section 10 lands in the public domain by state, individual agency information contained, but not summarized, in the Dawson Report, was analyzed and aggregated to a state level. In doing so, the reported value of public domain land in the State of Oregon was adjusted, on the basis of data provided by the U.S. Department of the Interior, to exclude the value of revested Oregon and California Railroad Grant and Coos Bay Wagon Road lands. Although the Dawson Report also provides an acquisition cost for all the acquired lands in the United States under the control of the Forest Service and the Fish and Wildlife Service, supplementary information available from annual and other reports of these services were evaluated and used to develop state estimates for Section 10 acquired lands.

Table ALT-1b shows, by state and for the United States, the estimated "market value" of Section 10 lands as of June 30, 1966. The acreages and values are shown separately for the public domain lands and the acquired lands. The values per acre, calculated by dividing estimated values by the appropriate acreages, exhibit a wide range in statewide averages among the states.

B. Potential Taxes on Federally Owned Land

The value of Federally owned lands as developed in Table ALT-1b represents market value and cannot be converted readily into assessed value. There is a wide variation in the assessing practices and tax rates levied from one state to another. The 1966 ratios of assessed value to true market value are only available for fewer than one-half of all the states. Therefore, the most direct approach is to develop effective or true tax rates for each state in order to determine the potential taxes which might be applicable to the market value of Federally owned land were they taxable on the same basis as privately owned lands. The effective or true tax rate is equal to the assessed tax rate multiplied by an equalization ratio. The latter adjusts for the difference between true market value and the assessed value.

Effective tax rates for 1966 on a state basis are not available. However, a study made by Dr. S. J. Mushkin for the Council of State Governments[1/] in cooperation with the George Washington University included the

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1/ Mushkin, S.J., Property Taxes: The 1970 Outlook, Council of State Governments, October 1965.

TABLE NO. ALT-1b

ESTIMATED "MARKET VALUE" OF FEDERALLY OWNED LAND IN THE UNITED STATES WITHIN SCOPE OF PLLRC STUDY, 1966[1/]

State	Acreage[2/]			Estimated Market Value			Value Per Acre		
	Total No. (1)	Public Domain No. (2)	Acquired Land No. (3)	Total ($000) (4)	Public Domain ($000) (5)	Acquired Land ($000) (6)	Total ($) (7)	Public Domain ($) (8)	Acquired Land ($) (9)
Alabama	643,497	27,705	615,792	10,573	2,604	7,969	16.43	93.99	12.94
Alaska	358,032,222	358,032,193	29	1,925,391	1,925,389	2	5.38	5.38	68.97
Arizona	32,149,470	32,149,187	283	631,752	631,751	1	19.65	19.65	3.53
Arkansas	2,585,293	1,073,721	1,511,572	114,868	95,425	19,443	44.43	88.87	12.86
California	42,476,077	42,119,692	356,385	2,843,835	2,834,292	9,543	66.95	67.29	26.78
Colorado	23,078,791	23,053,591	25,200	316,570	314,419	2,151	13.72	13.64	85.36
Connecticut	16	0	16	1	0	1	62.50	0	62.50
Delaware	19,140	0	19,140	1,196	0	1,196	62.49	0	62.49
Florida	1,351,512	322,908	1,028,604	92,510	83,962	8,548	68.45	260.02	8.31
Georgia	1,168,770	0	1,168,770	6,537	0	6,537	5.59	0	5.59
Hawaii	1,767	0	1,767	a/	0	a/	a/	0	a/
Idaho	33,628,537	33,245,964	382,573	653,272	650,266	3,006	19.43	19.56	7.86
Illinois	264,313	448	263,865	1,910	7	1,903	7.23	15.62	7.21
Indiana	127,216	240	126,976	732	2	730	5.75	8.33	5.75
Iowa	28,383	341	28,042	898	7	891	31.64	20.53	31.77
Kansas	47,874	26,932	20,942	4,111	2,196	1,915	85.87	81.54	91.44
Kentucky	524,158	0	524,158	2,905	0	2,905	5.54	0	5.54
Louisiana	832,609	20,851	811,758	9,350	1,585	7,765	11.23	76.02	9.57
Maine	72,361	0	72,361	367	0	367	5.07	0	5.07
Maryland	21,015	0	21,015	1,723	0	1,723	81.99	0	81.99
Massachusetts	10,661	0	10,661	402	0	402	37.71	0	37.71
Michigan	2,707,343	298,580	2,408,763	19,768	5,388	14,380	7.30	18.04	5.97
Minnesota	3,308,748	1,394,671	1,914,077	30,006	15,507	14,499	9.07	11.12	7.58
Mississippi	1,194,099	6,032	1,188,067	11,246	393	10,853	9.42	65.15	9.14
Missouri	1,409,879	2,641	1,407,238	7,871	133	7,738	5.58	50.36	5.50
Montana	25,294,595	25,193,167	101,428	351,049	348,576	2,473	13.88	13.84	24.38
Nebraska	426,349	251,819	174,530	4,594	2,160	2,434	10.78	8.58	13.95
Nevada	60,869,686	60,812,025	57,661	578,554	577,598	956	9.50	9.50	16.58

TABLE NO. ALT-1b (Continued)

ESTIMATED "MARKET VALUE" OF FEDERALLY OWNED LAND IN THE UNITED STATES WITHIN SCOPE OF PLLRC STUDY, 1966[1]

State	Acreage[2] Total No. (1)	Acreage[2] Public Domain No. (2)	Acreage[2] Acquired Land No. (3)	Estimated Market Value Total ($000) (4)	Estimated Market Value Public Domain ($000) (5)	Estimated Market Value Acquired Land ($000) (6)	Value Per Acre Total ($) (7)	Value Per Acre Public Domain ($) (8)	Value Per Acre Acquired Land ($) (9)
New Hampshire	678,516	0	678,516	1,837	0	1,837	2.71	0	2.71
New Jersey	21,018	0	21,018	1,145	0	1,145	54.48	0	54.48
New Mexico	25,392,184	25,026,484	365,700	270,083	269,216	867	10.64	10.76	2.37
New York	17,156	0	17,156	1,247	0	1,247	72.69	0	72.69
North Carolina	1,233,801	0	1,233,801	12,422	0	12,422	10.07	0	10.07
North Dakota	446,494	208,750	237,744	6,127	2,217	3,910	13.72	10.62	16.45
Ohio	117,922	85	117,837	2,734	3	2,731	23.18	35.29	23.18
Oklahoma	399,505	160,021	239,484	4,358	2,517	1,841	10.91	15.73	7.69
Oregon	29,709,816	28,588,214	1,121,602	2,884,092	2,852,698	31,394	97.08	99.79	27.99
Pennsylvania	478,806	0	478,806	2,509	0	2,509	5.24	0	5.24
Rhode Island	26	0	26	a/	0	a/	a/	0	a/
South Carolina	725,148	0	725,148	5,584	0	5,584	7.70	0	7.70
South Dakota	1,654,436	1,609,571	44,865	35,879	34,704	1,175	21.69	21.56	26.19
Tennessee	609,413	0	609,413	5,586	0	5,586	9.17	0	9.17
Texas	775,976	0	775,976	7,526	0	7,526	9.70	0	9.70
Utah	34,930,362	34,685,741	244,621	360,368	359,417	951	10.32	10.36	3.89
Vermont	237,697	0	237,697	1,304	0	1,304	54.86	0	54.86
Virginia	1,489,726	0	1,489,726	5,520	0	5,520	3.70	0	3.70
Washington	11,400,039	11,088,968	311,071	1,366,958	1,358,716	8,242	119.91	122.53	26.50
West Virginia	909,656	0	909,656	5,055	0	5,055	5.56	0	5.56
Wisconsin	1,638,661	9,842	1,628,819	7,081	215	6,866	4.32	21.84	4.22
Wyoming	29,288,973	29,265,631	23,342	404,863	404,065	798	13.82	13.81	34.19
U.S. Total	734,429,712	708,676,015	25,753,697	13,014,269	12,775,428	238,841	17.72	18.03	9.27

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FOOTNOTES TO TABLE NO. ALT-1b

ESTIMATED "MARKET VALUE" OF FEDERALLY OWNED LAND IN THE UNITED STATES WITHIN SCOPE OF PLLRC STUDY, 1966[1]

a/ Donated land, value not established by agencies.

1/ Acreages in the primary source document, often referred to as the "Dawson Report" are the same as the total Federally owned acreage shown by state in the General Services Administration Inventory Report on Real Property Owned by the United States Throughout the World. Adjustment of "Dawson Report" figures, however, for several states was necessary to correct inconsistencies in data, particularly for the State of Nevada where part of the public domain land under jurisdiction of the Department of the Air Force was also reported by the Atomic Energy Commission. Market values (or the purchase costs of acquired lands) are substantially those for land areas only as reported by agencies. Values per acre are calculated from data on acreages and costs.

2/ Public lands, including certain public domain and acquired lands, as defined in Section 10 of Public Law 88-606 (see Table No. A-1A).

Source: Based on acreage inventory data of the General Services Administration, and on acreages and values (or costs) in Federal Real and Personal Property Inventory Report (Civilian and Military) of the United States Government Covering Its Properties Located in the United States, in the Territories and Overseas, as of June 30, 1966, Committee on Government Operations, U.S House of Representatives.

calculation of 1961 effective tax rates for each state on the basis of data collected by the Bureau of the Census for the Census of Governments, 1962. (The market value of the privately owned property tax base of each state was estimated by using Census developed ratios of assessed values to sale prices) For each state, Dr. Mushkin also computed an elasticity ratio which represented the percent increase in market value of property per each one percent increase in personal income.

Since personal income data on a state basis are available annually from the U. S. Department of Commerce, the elasticity ratios were used to update the 1961 market values of privately owned property and to develop an estimate of market values by states as of Fiscal Year 1966. These estimates by state are shown in Table ALT-1c.

In Table ALT-1d, property tax revenues in 1966 as reported by the U. S. Bureau of the Census are arrayed by state to develop the effective tax rates for 1966.

Table ALT-1e shows the potential tax revenue from each state, in the aggregate and on a per acre basis. These potential tax revenues represent 1966 at the rates developed in Table ALT-1d. The potential tax revenues in 1966 were derived by multiplying the market values of the Section 10 lands in each state (Table ALT-1b) by the effective tax rates for privately owned property (Table ALT-1d).

Table ALT-1f represents an estimate of the impact on the states in 1966 if full tax equivalency payments in lieu of taxes were made on Section 10 lands instead of the current system of revenue sharing and payments in lieu of taxes. This table compares the payments made by states under currently applicable programs with the estimated potential tax revenues to state and local governments if the Federal government in 1966 had made payments in lieu of taxes on its property, as if the property were privately owned. The difference in payments for the United States as a whole and for each state are shown as increases or decreases from the 1966 level of payments under currently applicable programs.

Finally, Table ALT-1g contains an estimate of the impact on the states in 1966, similar to that discussed in the preceding paragraph; however, the comparison is not only with the 1966 revenue sharing and in lieu tax payments but also the BPR Sliding Scale Highway Aid and the Forest Highway payments.

TABLE NO. ALT-1c Page 1 of 2

ESTIMATED MARKET VALUE OF TOTAL GENERAL PROPERTY TAX BASE (EXCLUDING PUBLIC UTILITY PROPERTY AND MOTOR VEHICLES) BY STATE, 1966[1]

State	Market Value 1961 ($000,000) (1)	Elasticity Ratio[2] (2)	Percent Change '61-'66 Personal Income ($) (3)	Percent Change '61-'66 Market Value (%) (4)	Market Value 1966 ($000,000) (5)
U.S. Total[1]	1,112,776	1.3	40.1	51.1	1,681,226
Alabama	12,186	1.6	44.7	71.5	20,899
Alaska	1,007	1.5	42.8	64.2	1,653
Arizona	9,424	1.4	40.2	56.3	14,730
Arkansas	7,582	1.3	45.5	59.2	12,071
California	144,452	1.5	42.3	63.4	236,035
Colorado	12,440	1.0	32.6	32.6	16,495
Connecticut	17,767	1.1	42.3	46.5	26,029
Delaware	2,585	0.9	42.7	38.4	3,578
Florida	34,003	1.6	50.3	80.5	61,375
Georgia	15,219	1.4	56.6	79.2	27,274
Hawaii	4,473	1.4	39.5	55.3	6,947
Idaho	4,292	0.9	29.8	26.8	5,442
Illinois	72,500	1.4	38.4	53.8	111,505
Indiana	27,692	0.9	45.1	40.6	38,935
Iowa	20,231	0.6	43.8	26.3	25,552
Kansas	15,819	0.9	31.8	28.6	20,343
Kentucky	12,566	0.9	39.4	35.5	17,027
Louisiana	15,965	1.5	47.9	71.8	27,428
Maine	4,096	1.5	33.4	50.1	6,148
Maryland	17,687	1.2	48.3	58.0	27,945
Massachusetts	30,775	1.3	33.5	43.6	44,193
Michigan	47,568	1.1	52.7	58.0	75,157
Minnesota	21,742	1.3	36.8	47.8	32,135
Mississippi	7,394	1.2	47.3	56.8	11,594
Missouri	25,185	1.2	36.5	43.8	36,216
Montana	6,050	1.1	34.4	37.8	8,337
Nebraska	10,620	0.7	37.2	26.0	13,381
Nevada	2,576	1.0	64.9	64.9	4,248
New Hampshire	3,322	1.3	39.8	51.7	5,039
New Jersey	39,249	1.4	37.1	51.9	59,619
New Mexico	5,607	1.2	27.6	33.1	7,463
New York	101,933	1.2	32.8	39.4	142,095
North Carolina	20,443	1.5	48.8	73.2	35,407
North Dakota	4,341	0.3	59.0	17.7	5,109
Ohio	65,949	1.4	37.8	52.9	100,836
Oklahoma	12,087	1.6	34.0	54.4	18,662
Oregon	10,930	0.9	41.1	37.0	14,974
Pennsylvania	60,252	1.3	34.0	44.2	86,883

TABLE NO. ALT-1c (Continued) Page 2 of 2

ESTIMATED MARKET VALUE OF TOTAL GENERAL PROPERTY TAX BASE (EXCLUDING PUBLIC UTILITY PROPERTY AND MOTOR VEHICLES) BY STATE, 1966[1]

State	Market Value 1961 ($000,000) (1)	Elasticity Ratio[2] (2)	Percent Change '61-'66 Personal Income ($) (3)	Percent Change '61-'66 Market Value ($) (4)	Market Value 1966 ($000,000) (5)
Rhode Island	3,950	1.1	38.9	42.8	5,641
South Carolina	8,099	1.4	53.3	74.6	14,141
South Dakota	4,753	0.4	34.0	13.6	5,399
Tennessee	14,362	1.2	46.5	55.8	22,376
Texas	68,122	1.1	39.7	43.7	97,891
Utah	7,142	1.0	31.1	31.1	9,363
Vermont	1,873	1.1	45.6	50.2	2,813
Virginia	19,641	1.4	49.7	69.6	33,311
Washington	19,341	1.4	38.4	53.8	29,746
West Virginia	8,287	1.5	31.1	46.6	12,149
Wisconsin	25,091	1.0	39.5	39.5	35,002
Wyoming	4,106	1.0	12.9	12.9	4,636

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[1] Excluding District of Columbia.

[2] Percent increase in value of property per 1 percent increase in personal income.

Sources: Cols. 1 & 2: Property Taxes: The 1970 Outlook, Mushkin Selma J., The Council of State Governments in Cooperation with the George Washington University, October 1965.

Col. 3: Derived from personal income estimates of Office of Business Economics, Survey of Current Business, August, 1967, U.S. Department of Commerce.

Col. 4: Col. 2 multiplied by Col. 3.

Col. 5: Col. 1 times percent increase in Col. 4.

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TABLE NO. ALT-1d

ESTIMATED EFFECTIVE TAX RATES ON GENERAL PROPERTY TAX BASE (EXCLUDING PUBLIC UTILITY PROPERTY AND MOTOR VEHICLES) BY STATE, 1966[1]

State	Market Value 1966 ($000,000) (1)	Taxes Collected: Amount 1966 ($000,000) (2)	Taxes Collected: Effective Rate (%)[2] (3)
U.S. Total[1]	1,681,226	24,581.9	1.46
Alabama	20,899	116.0	0.56
Alaska	1,653	18.7	1.13
Arizona	14,730	222.9	1.51
Arkansas	12,071	95.6	0.79
California	236,035	3,752.2	1.59
Colorado	16,495	308.9	1.87
Connecticut	26,029	464.1	1.78
Delaware	3,578	33.1	0.92
Florida	61,375	583.6	0.95
Georgia	27,274	274.3	1.01
Hawaii	6,947	56.8	0.82
Idaho	5,442	78.7	1.45
Illinois	111,505	1,610.8	1.44
Indiana	38,935	686.7	1.76
Iowa	25,552	447.3	1.75
Kansas	20,343	333.3	1.64
Kentucky	17,027	164.7	0.97
Louisiana	27,428	190.4	0.69
Maine	6,148	122.4	1.99
Maryland	27,945	437.3	1.56
Massachusetts	44,193	1,020.6	2.31
Michigan	75,157	1,131.5	1.51
Minnesota	32,135	591.0	1.84
Mississippi	11,594	117.1	1.01
Missouri	36,216	435.1	1.20
Montana	8,337	114.1	1.37
Nebraska	13,381	258.6	1.93
Nevada	4,248	62.4	1.47
New Hampshire	5,039	103.4	2.05
New Jersey	59,619	1,283.1	2.15
New Mexico	7,463	61.6	0.83
New York	142,095	3,045.9	2.14
North Carolina	35,407	270.0	0.76
North Dakota	5,109	84.3	1.65
Ohio	100,836	1,295.8	1.28
Oklahoma	18,662	191.1	1.02
Oregon	14,974	277.0	1.85
Pennsylvania	86,883	1,016.7	1.17

TABLE NO. ALT-1d (Continued) Page 2 of 2

ESTIMATED EFFECTIVE TAX RATES ON GENERAL PROPERTY TAX BASE (EXCLUDING PUBLIC UTILITY PROPERTY AND MOTOR VEHICLES) BY STATE, 1966[1]

State	Market Value 1966 ($000,000) (1)	Taxes Collected: Amount 1966 ($000,000) (2)	Taxes Collected: Effective Rate (%)[2] (3)
Rhode Island	5,641	114.8	2.04
South Carolina	14,141	102.4	0.72
South Dakota	5,399	104.6	1.94
Tennessee	22,376	221.9	0.99
Texas	97,891	1,074.9	1.10
Utah	9,363	118.0	1.26
Vermont	2,813	47.0	1.67
Virginia	33,311	340.2	1.02
Washington	29,746	310.9	1.05
West Virginia	12,149	98.0	0.81
Wisconsin	35,002	636.0	1.82
Wyoming	4,636	55.9	1.21

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[1] Excluding District of Columbia.

[2] Effective rate calculated by dividing Col. 2 by Col. 1.

Sources: Col. 1: From Table ALT-1c.

Col. 2: Governmental Finances in 1965-66, Series GF No. 13, 1967, U.S. Bureau of the Census.

TABLE NO. ALT-1e

Page 1 of 2

ESTIMATED MARKET VALUE AND POTENTIAL PROPERTY TAX, BY STATE ON FEDERALLY OWNED LAND WITHIN SCOPE OF PLLRC STUDY[1]

State	Market Value ($000) (1)	Public Lands (acres) (2)	Potential Tax Revenue[2] Total ($000) (3)	Per Acre (cents) (4)
U.S. Total[3]	13,014,269	734,429,712	189,454.8	26
Alabama	10,573	643,497	59.2	9
Alaska	1,925,391	358,032,222	21,756.9	6
Arizona	631,752	32,149,470	9,539.5	30
Arkansas	114,868	2,585,293	907.5	35
California	2,843,835	42,476,077	45,217.0	106
Colorado	316,570	23,078,791	5,919.9	26
Connecticut	1	16	*	111
Delaware	1,196	19,140	11.0	58
Florida	92,510	1,351,512	878.8	65
Georgia	6,537	1,168,770	66.0	6
Hawaii	a/	1,767	*	2
Idaho	653,272	33,628,537	9,472.4	28
Illinois	1,910	264,313	27.5	10
Indiana	732	127,216	12.9	10
Iowa	898	28,383	15.7	56
Kansas	4,111	47,874	67.4	140
Kentucky	2,905	524,158	28.2	5
Louisiana	9,350	832,609	64.5	8
Maine	367	72,361	7.3	10
Maryland	1,723	21,015	26.9	128
Massachusetts	402	10,661	9.3	85
Michigan	19,768	2,707,343	298.5	11
Minnesota	30,006	3,308,748	552.1	17
Mississippi	11,246	1,194,099	113.6	10
Missouri	7,871	1,409,879	94.4	7
Montana	351,049	25,294,595	4,809.4	19
Nebraska	4,594	426,349	88.7	21
Nevada	578,554	60,869,686	8,504.7	14
New Hampshire	1,837	678,516	37.7	6
New Jersey	1,145	21,018	24.6	117
New Mexico	270,083	25,392,184	2,241.7	9
New York	1,247	17,156	26.7	157
North Carolina	12,422	1,233,801	94.4	8
North Dakota	6,127	446,494	101.1	23
Ohio	2,734	117,922	35.0	30
Oklahoma	4,358	399,505	44.4	11
Oregon	2,884,092	29,709,816	53,355.7	180
Pennsylvania	2,509	478,806	29.4	6

TABLE NO. ALT-1e (Continued)

ESTIMATED MARKET VALUE AND POTENTIAL PROPERTY TAX, BY STATE, ON FEDERALLY OWNED LAND WITHIN SCOPE OF PLLRC STUDY[1]

State	Market Value ($000) (1)	Public Lands (acres) (2)	Potential Tax Revenue[2] Total ($000) (3)	Per Acre (cents) (4)
Rhode Island	a/	26	*	2
South Carolina	5,584	725,148	40.2	6
South Dakota	35,879	1,654,436	696.0	42
Tennessee	5,586	609,413	55.3	9
Texas	7,526	775,976	82.8	11
Utah	360,368	34,930,362	4,540.6	13
Vermont	1,304	237,697	21.8	9
Virginia	5,520	1,489,726	56.3	4
Washington	1,366,958	11,400,039	14,353.1	126
West Virginia	5,055	909,656	41.0	4
Wisconsin	7,081	1,638,661	128.9	8
Wyoming	404,863	29,288,973	4,898.8	17

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a/ Donated land - Market value not estimated by agencies but assumed at $1 per acre for computation of potential tax revenue.

* Represents potential taxes in Connecticut, Hawaii and Rhode Island of $18, $34 and $0.46 respectively.

1/ Estimated market value of applicable Federally owned public domain and acquired lands defined as "Public Lands" in Section 10 of Public Law 88-606.

2/ Based on the effective property tax rates on privately owned property in the several states as derived from U.S. Bureau of the Census reports on taxes collected in 1966 in relation to the estimated market value of privately owned property.

3/ Excluding the District of Columbia.

Sources: Col. 1 From Table ALT-1b

Col. 2: From Table No. A-1A

Col. 3: Derived primarily from data in: Property Taxes: The 1970 Outlook, Council of State Governments in cooperation with the George Washington University, October 1965; Census of Governments, Vol. II. Taxable Property Values, 1962, U.S. Bureau of the Census, 1963; and Governmental Finances, GF No. 13, 1965-66, U.S. Bureau of the Census.

TABLE NO. ALT-1f Page 1 of 2

IMPACT ON THE STATES IN 1966 IF FULL TAX EQUIVALENCY PAYMENTS IN LIEU OF TAXES WERE MADE ON SECTION 10 LANDS INSTEAD OF CURRENT REVENUE SHARING AND PAYMENTS IN LIEU OF TAXES

(In Thousands of Dollars)

State	Current RS & PILT Accrued Payments Applicable Programs (1)	Potential Tax Revenues From Section 10 Lands[1] (2)	Increase (or Decrease) Over Current Payments (3)
United States[2]	92,847.9	189,454.8	96,606.9
Alabama	249.0	59.2	(189.8)
Alaska	8,031.6	21,756.9	13,725.3
Arizona	975.3	9,539.5	8,564.2
Arkansas	1,008.3	907.5	(100.8)
California	9,506.5	45,217.0	35,710.5
Colorado	3,538.4	5,919.9	2,381.5
Connecticut	0	[a]	[a]
Delaware	15.2	11.0	(4.2)
Florida	261.6	878.8	617.2
Georgia	381.3	66.0	(315.3)
Hawaii	0	[a]	[a]
Idaho	1,481.9	9,472.4	7,990.5
Illinois	96.1	27.5	(68.6)
Indiana	9.6	12.9	3.3
Iowa	11.1	15.7	4.6
Kansas	152.6	67.4	(85.2)
Kentucky	104.5	28.2	(76.3)
Louisiana	804.0	64.5	(739.5)
Maine	6.5	7.3	.8
Maryland	21.8	26.9	5.1
Massachusetts	4.3	9.3	5.0
Michigan	226.3	298.5	72.2
Minnesota	312.2	552.1	239.9
Mississippi	1,017.4	113.6	(903.8)
Missouri	159.6	94.4	(65.2)
Montana	3,406.6	4,809.4	1,402.8
Nebraska	60.7	88.7	28.0
Nevada	909.1	8,504.7	7,595.6
New Hampshire	66.2	37.7	(28.5)
New Jersey	19.8	24.6	4.8
New Mexico	11,776.8	2,241.7	(9,535.1)
New York	14.9	26.7	11.8
North Carolina	284.1	94.4	(189.7)
North Dakota	266.1	101.1	(165.0)
Ohio	33.4	35.0	1.6
Oklahoma	274.4	44.4	(230.0)
Oregon	19,909.9	53,355.7	33,445.8
Pennsylvania	241.0	29.4	(211.6)

TABLE NO. ALT-1f (Continued) Page 2 of 2

IMPACT ON THE STATES IN 1966 IF FULL TAX EQUIVALENCY PAYMENTS IN LIEU OF TAXES WERE MADE ON SECTION 10 LANDS INSTEAD OF CURRENT REVENUE SHARING AND PAYMENTS IN LIEU OF TAXES

(In Thousands of Dollars)

State	Current RS & PILT Accrued Payments Applicable Programs (1)	Potential Tax Revenues From Section 10 Lands1/ (2)	Increase (or Decrease) Over Current Payments (3)
Rhode Island	0	a/	a/
South Carolina	641.6	40.2	(601.4)
South Dakota	175.1	696.0	520.9
Tennessee	95.7	55.3	(40.4)
Texas	683.2	82.8	(600.4)
Utah	3,783.4	4,540.6	757.2
Vermont	122.3	21.8	(100.5)
Virginia	113.9	56.3	(57.6)
Washington	6,192.3	14,353.1	8,160.8
West Virginia	175.4	41.0	(134.4)
Wisconsin	157.6	128.9	(28.7)
Wyoming	15,069.3	4,898.8	(10,170.5)

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a/ Less than $50.

1/ Represents the real property taxes that would have been collected by the states if Section 10 (PL 88-606) lands were in private ownership. These estimates were derived by applying an effective tax rate on privately owned property to the estimated market value of Section 10 lands in each state.

2/ Excluding the District of Columbia.

Sources: Col. 1: Based on data provided by Federal agencies administering the programs.

Col. 2: Table No. ALT-1e.

TABLE NO. ALT-1g Page 1 of 2

IMPACT ON THE STATES IN 1966 IF FULL TAX EQUIVALENCY PAYMENTS IN LIEU OF TAXES WERE MADE ON SECTION 10 LANDS INSTEAD OF CURRENT REVENUE SHARING, PAYMENTS IN LIEU OF TAXES, BUREAU OF PUBLIC ROADS SLIDING SCALE APPORTIONMENTS AND FOREST HIGHWAY FUND APPORTIONMENTS

(In Thousands of Dollars)

State	Current RS & PILT Payments Plus BPR Sliding Scale, and Forest Highway Apportionments (1)	Potential Tax[1] Revenues from Section 10 Lands (2)	Increase (or Decrease) over Current Payments (3)
U.S. Total[2]	194,338.7	189,454.8	(4,883.9)
Alabama	343.5	59.2	(284.3)
Alaska	29,808.1	21,756.9	(8,051.2)
Arizona	9,132.8	9,539.5	406.7
Arkansas	1,456.9	907.5	(549.4)
California	27,832.5	45,217.0	17,384.5
Colorado	8,208.3	5,919.9	(2,288.4)
Connecticut	0	a/	a/
Delaware	15.2	11.0	(4.2)
Florida	453.3	878.8	425.5
Georgia	497.5	66.0	(431.5)
Hawaii	0	a/	a/
Idaho	7,041.8	9,472.4	2,430.6
Illinois	134.2	27.5	(106.7)
Indiana	31.7	12.9	(18.8)
Iowa	12.2	15.7	3.5
Kansas	152.6	67.4	(85.2)
Kentucky	172.4	28.2	(144.2)
Louisiana	880.1	64.5	(815.6)
Maine	18.9	7.3	(11.6)
Maryland	21.8	26.9	5.1
Massachusetts	4.3	9.3	5.0
Michigan	580.4	298.5	(281.9)
Minnesota	768.6	552.1	(216.5)
Mississippi	1,173.1	113.6	(1,059.5)
Missouri	328.2	94.4	(233.8)
Montana	8,137.1	4,809.4	(3,327.7)
Nebraska	91.6	88.7	(2.9)
Nevada	6,201.0	8,504.7	2,303.7
New Hampshire	242.6	37.7	(204.9)
New Jersey	19.7	24.6	4.9
New Mexico	16,699.1	2,241.7	(14,457.4)
New York	14.9	26.7	11.8
North Carolina	487.4	94.4	(393.0)
North Dakota	266.2	101.1	(165.1)
Ohio	51.4	35.0	(16.4)
Oklahoma	297.2	44.4	(252.8)
Oregon	28,555.8	53,355.7	24,799.9
Pennsylvania	329.1	29.4	(299.7)

TABLE NO. ALT-1g

IMPACT ON THE STATES IN 1966 IF FULL TAX EQUIVALENCY PAYMENTS IN LIEU OF TAXES WERE MADE ON SECTION 10 LANDS INSTEAD OF CURRENT REVENUE SHARING, PAYMENTS IN LIEU OF TAXES, BUREAU OF PUBLIC ROADS SLIDING SCALE APPORTIONMENTS AND FOREST HIGHWAY FUND APPORTIONMENTS

(In Thousands of Dollars)

State	Current RS & PILT Payments Plus BPR Sliding Scale, and Forest Highway Apportionments (1)	Potential Tax[1] Revenues from Section 10 Lands (2)	Increase (or Decrease) over Current Payments (3)
Rhode Island	0	a/	a/
South Carolina	749.8	40.2	(709.6)
South Dakota	1,633.6	696.0	(937.6)
Tennessee	206.3	55.3	(151.0)
Texas	787.7	82.8	(704.9)
Utah	9,979.3	4,540.6	(5,438.7)
Vermont	181.3	21.8	(159.5)
Virginia	328.5	56.3	(272.2)
Washington	9,885.9	14,353.1	4,467.2
West Virginia	305.7	41.0	(264.7)
Wisconsin	342.2	128.9	(213.3)
Wyoming	19,476.9	4,898.8	(14,578.1)

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a/ Less than $50.

1/ Represents the real property taxes that would have been collected by the states if Section 10 (PL 88-606) lands were in private ownership. These estimates were derived by applying an effective tax rate on privately owned property to the estimated market value of Section 10 lands in each state.

2/ Excluding the District of Columbia.

Sources: Col. 1: Based on data provided by Federal agencies administering the programs.

Col. 2: Table ALT-1e.

C. Results

As shown in Table ALT-1f, potential tax revenues from Section 10 lands exceed the 1966 accrued payments under current RS and PILT programs by $96.6 million.

The impact on the 50 states, in the aggregate, is the distribution of $189.5 million as compared with $92.8 million under current PILT and RS programs and $194.3 million when the BPR Sliding Scale and Highway Forest programs are also included. In the first case (Table ALT-1f) there would be an increase in Federal expenditures of $96.6 million while in the second case (Table ALT-1g) there would be a reduction of $4.9 million in Federal expenditures.

As is evident from column (3) in Table ALT-1f, 26 states would receive larger payments than their actual accruals were in 1966 while the remaining 24 states would receive less. The latter would experience a combined reduction of $24.6 million while the former 26 states would share an increase of almost $121.3 million.

If the in lieu tax system were to replace also the two highway aid programs mentioned, the figures in column (3) of Table ALT-1g are pertinent. These show that 35 states would receive larger payments than their 1966 accruals; the remaining 15 states would bear the increase of over $52.2 million to be shared by the former 35 states plus the aggregate reduction in Federal payments of $4.9 million, for a total reduction of $57 million.

The foregoing analyses indicate that in either case there would be significant impacts, both positive and negative, upon substantial numbers of states. These impacts are basically the result of (1) the concept of ad valorem based in lieu tax payments as opposed to revenue sharing and (2) the equal treatment of forests, parks and monuments as opposed to their present exclusion from eligibility in the BPR Sliding Scale Highway Aid.

D. Threshold Provisions

It is not uncommon to incorporate in an in lieu tax payment system threshold provisions of one kind or another. Such provisions fundamentally have the effect of excluding a certain "first" quantity from the benefits provided for the balance or, alternatively, exclude situations from participating unless they meet or exceed the threshold limitation. The 1966 test of this alternative, as described heretofore, was applied without the incorporation of a threshold provision. However, it is quite important to analyze the rationale for and the potential effects of its incorporation.

As mentioned, threshold provisions are currently in use both by the Federal and various state governments. The BPR Sliding Scale Highway Aid program (PL 88-658 23 U.S.C. Sec. 120 [1964]) provides that only states in which eligible Federal lands exceed 5% of the state's total land area may benefit from the program, though when the eligibility is established, the assistance is then rendered in proportion to all eligible land including the 5% threshold amount. Similarly, one section (20 U.S.C. § 237(a) [1964]) of the Aid to Education Program (PL 874) requires that the assessed value of acquired Federal land in a school district be 10% of the total assessed value for that district before eligibility for Federal assistance under that program applies.

Threshold provisions applicable to state payments in lieu of taxes -- to its local governments on account of state owned lands -- vary widely in formulae but not in concept. In New Jersey, for example, Stat. Ann. tit. 54 34-21 (1952) provides in lieu tax payments when the state owned lands, excluding certain types of lands, exceed 9% of the local jurisdiction's land area. Under New York Public Law § 19-a, the state pays an in lieu tax of 1% of the acquired land cost including improvements and construction costs, provided the state owns 28% or more of the assessed value in the urban community.

In these and other states, as in the two Federal programs mentioned, the apparent intent is to provide financial assistance only when the presence of publicly owned property is likely to cause financial burdens of a magnitude which is inordinate or exceeds that of the "average" situation. Legislators have reasoned that the presence of Federal lands in any state or county is a heritage with certain assets and liabilities. The latter is primarily manifested in the immunity to taxation while costs for the provision of public services are incurred. The attending benefits can be of great variety (besides revenue sharing), many of which do not have a monetary value such as scenic, esthetic, open space and clean air attributes. If one accepts the premise of a heritage which should be shared, both as to benefits and burdens, by all the heirs, it can be argued that those heirs, who due to geographic circumstances are the automatic and continuing benefactors of some of these non-economic values, should also absorb some of the resulting disbenefits such as the provision of certain public services without reimbursement for the incurred costs. It is this kind of rationale which has led to the threshold concept. An apparent conflict is manifested in the inclusion of the threshold in the benefit or payment formulas, as is the case in the BPR Sliding Scale Highway Aid program. When eligibility is established by the presence of land quantities or values in excess of the threshold minima, the payment formulas are typically applied to all of the eligible land, rather than that quantity or value in excess of the threshold minima.

The application of a threshold provision for this (and other) alternatives has been considered. One can use one or more of several factors in determining a suitable threshold. The most apparent is the mean Federal land as a percent of the total land in all states. There are about 734 million acres of Section 10 lands in 50 states having a total land area of about 2,271.3 million acres. The Section 10 lands vary from less than 1/100 of 1% to 97.962% of the land areas in each state. The 50 percentiles add to a total factor of 715.364, thus the mean is 14.31. In turn, deducting the mean from all states above the mean would result, for example, in the State of Washington (26.702% of state area is Section 10 land) having a value of 12.69 or about 47% of its full value including the threshold.

Using the median, it is found that it is between 3.186% (Missouri) and 3.385% (South Dakota). The 25 states below the median include such as Louisiana and Texas which would lose substantial payments if the threshold is eliminated.

The determination of a threshold on the basis of the ratio of Section 10 land to the state land area and the subsequent application of this single factor to the reduction of tax equivalency payments -- a complex factor composed of land area(s) times value times tax rate -- is an incompatible or inconsistent approach and, as such should be discarded.

A compatible approach could be based on the tax "loss" caused by the Federal lands. The estimated tax loss to all states on account of Section 10 lands for 1966 was shown as being $189,454,800. Each state's share varies from a loss of 0% to a high of 28.161%. The median is 0.035% and the mean value is, of course, 2.0%. If the threshold were to be either the mean or the median of the tax equivalency and then payments reduced by that value, a consistent application of the composite value would occur. If the median is chosen, the 25 states which would be eliminated would again include those which receive substantial PILT and RS payments. If the mean is chosen, it would remove all except 11 states. Neither of these choices appears practicable because of the resulting loss of historically established payments.

Another approach, based on administrative convenience "because there are many states in which the area of public land is negligible but which, nevertheless, would have to be taken into consideration if no threshold limit is imposed" might be chosen, by establishing a minimum exclusion such as the first $50,000 of tax equivalency payments.

Application of three different provisions to the 1966 test resulting in the elimination of the states as shown in the table following:

States Which Would Not Receive Any In Lieu Tax Payments
If Threshold As Shown Were Applied1/

State	Mean In Lieu Tax (2% of Potential Tax in State)	Median In Lieu Tax (0.035% of Potential Tax in State)	First $50,000 of Potential Tax
1. Connecticut	x	x	x
2. Hawaii	x	x	x
3. Rhode Island	x	x	x
4. Maine	x	x	x
5. Massachusetts	x	x	x
6. Delaware	x	x	x
7. Indiana	x	x	x
8. Iowa	x	x	x
9. Vermont	x	x	x
10. New Jersey	x	x	x
11. Illinois	x	x	x
12. Maryland	x	x	x
13. New York	x	x	x
14. Kentucky	x	x	x
15. Pennsylvania	x	x	x
16. Ohio	x	x	x
17. New Hampshire	x	x	x
18. South Carolina	x	x	x
19. West Virginia	x	x	x
20. Oklahoma	x	x	x
21. Tennessee	x	x	
22. Virginia	x	x	
23. Alabama	x	x	
24. Louisiana	x	x	
25. Georgia	x	x	
26. Kansas	x		
27. Texas	x		
28. Nebraska	x		
29. Missouri	x		
30. North Carolina	x		
31. Mississippi	x		
33. Wisconsin	x		
34. Michigan	x		
35. Minnesota	x		
36. South Dakota	x		
37. Florida	x		
38. Arkansas	x		
39. New Mexico	x		

1/ States are ranked in order of % of potential tax revenue in state. e.g. Connecticut, Hawaii, Rhode Island = 0%, Maine 0.004%. etc.

The effect of the three threshold provisions upon "eliminated" states in terms of the 1966 accrued payments from existing PILT, RS, BPR and Forest Highway programs was calculated as follows:

	All Programs Combined	All Programs Excluding BPR and Forest Highway
	(in thousands of dollars)	
1. States with mean or lesser in lieu tax eligibility (Col. 2 of the preceding table)	30,079.2	20,043.6
2. States median or lesser in lieu tax eligibility (Col. 3 of the preceding table)	4,858.3	3,502.0
3. States with in lieu tax eligibility of $50,000 or less (Col. 4 of the preceding table)	2,602.4	1,858.1

From administrative and fiscal viewpoints the $50,000 exclusion appears to be advantageous. It reduces the number of eligible states by 40% yet it reduces the in lieu tax payment by only $439,600, less than 0.3% of the total. In terms of lost revenue shared, the greatest impact would be on the State of South Carolina which would lose the $750,000 of accrued payments under the existing programs. However, this is not a function of the threshold provision, except for the estimated $40,000 of tax equivalency, but rather due to the "switch" from revenue sharing to in lieu tax payments.

ALTERNATIVE NO. 2

Central Fund, Net Revenue Sharing System

I. Introduction

The proposed alternative is conceived of as a substitute for all existing revenue sharing systems applicable to the lands specified by Section 10 of P.L. 88-606, except the Outer Continental Shelf Lands of the United States.

This system is based upon the following concepts:

A. State and local governments should receive a consideration from the Federal government in the form of annual cash payments where the Federal government holds land within the geographic confines of their respective jurisdictions which would, if it were privately owned, yield governmental revenue through real property taxation.

B. Inasmuch as this system is to make payments to state and local governments to substitute for property taxes on Federal lands, payments to these governments for public lands should reflect the ability of these lands to produce income, which is the basis for establishing the value of such lands.

C. Payments to state and local government should not exceed the capability of the lands to generate revenue above and beyond the costs of administration and management associated with producing this revenue.

D. Only revenues associated with "market" goods produced on the public lands should be considered in determining amounts to be paid to state and local government. Revenues from provision of "public" goods on the public lands are not included since they typically do not reflect the true value of the goods and are typically not taxes when provided in other contexts. (It is common practice not to levy property taxes on non-profit educational or cultural properties or activities in the private sector.)

2. Methods and Features

A. Revenues accruing to the Federal government from the sale of "market" goods on public lands would be placed in the Central Fund. "Market" goods are those goods or uses of the public lands that can or do produce income similar to that obtained when private owners of similar goods sell them. They are timber, forage for domestic livestock, minerals including oil, gas, coal, and other nonmetallics, as well as the metallics, and various so-called exclusive occupancy uses, including recreation cabin sites, rights-of-way, and other uses of public lands permitted under lease.

Revenue from the sale of land should not be placed in the Central Fund because the land is presumably sold into private hands and, therefore, goes on the tax rolls. Revenue from provision of public recreation, including hunting and fishing, should not be placed in the Central Fund because such uses of public land are not typically "market" goods and are not exclusive uses. Revenues from Outer Continental Shelf economic activity would also be excluded from the Central Fund since these lands do not come under the legal jurisdiction of nor lie within the geographic confines of any of the states or their sub-divisions, and therefore would not be subject to real property taxation in the sense that forest lands are.

The amount of money to be placed in the Central Fund each year would be equal to the gross revenues received from the sale of "market" goods from the public lands, including revenues now earmarked for other Federal programs and an amount to be paid out of the General Fund of the Treasury equal to the allowed cost of roads constructed under the terms of timber sales contracts. It might also be desirable to include in the Central Fund an amount equal to the difference between revenues received by the Federal government and revenues that would have been received if "market" prices were paid for these "market" goods.

B. Annual operating and amortized capital investment program costs directly related to the revenue-producing activities by the Federal agencies administering the lands will be provided from the Central Fund as described under A, above. Annual operating costs are to be deducted in full for the year in which they are incurred. Costs incurred for capital improvement types of work will be amortized over the project life and total annual amortized costs for each year will be deducted from the Central Fund along with annual costs. Capital costs so deducted will be placed in a depreciation account and used to finance new capital programs. Annual budgetary requests for new capital investments will be financed from this depreciation account, with deficits between existing balances and annual needs financed by borrowing from the Treasury. Repayments of such capital borrowings shall be made periodically from accumulations in this depreciation account.

Operating and capital costs incurred for the administration and management of the public lands and not directly related to revenues from the sale of market goods shall not be chargeable to or financed from the

Central Fund. That is, costs associated with such public goods as outdoor recreation, water, environmental quality, fish and wildlife, and uses of land for publicly-sponsored or supported scientific work shall continue to be financed from and charged to the General Fund of the Treasury. In cases where costs are incurred jointly for market and non-market goods, allocations to each will have to be made.

C. Payments to state and local governments would be equal to the total of Federal net revenues from the sale of "market" goods on public lands, which are equal to annual gross revenues (A, above) less annual costs (B, above). Annual net revenues would be distributed to states based on the areas of public lands lying within their respective jurisdictions and by land appraisal classes or land value classes.

Distribution of revenues could be made either to states or to states and local governments. For calculating the effects of this alternative, it is assumed here that distributions of net revenues from the Central Fund will be directed to the state governments, with whatever direct or indirect redistribution by state to local governments as state law and fiscal policy may imply. Distribution of revenues by the Federal government to state and local government on a basis similar to that discussed below would require more information than in the case of distributing revenues only to the states. However, providing such information would be no more difficult than providing information necessary for implementing the payments-in-lieu of taxes alternative.

To test this alternative, calculations for distribution were made as follows: (1) Ascribe to each type or class of land a value coefficient. (2) This coefficient multiplied by the total acreage for that class of land in the state results in the total equivalent value of that type of land in a state. (3) Adding all the equivalent values for all the lands in a state results in the total equivalent value for that state. (4) Adding these total equivalents for all states, i.e. thereby accounting for all of the Federal land, results in a total equivalent for all the Federal lands. (5) Dividing this product into the net available funds for distribution each year results in a figure of available funds per "land value equivalent." (6) This figure then multiplied by the total land equivalent in each of the states results in the amount each state would be paid.

D. In the initial stage of applying this policy alternative, the lack of good information on costs attributable to the production of "market" goods on public lands will be a problem. Cost records of the public land administering agencies are not now maintained in a manner that readily permits deriving the cost data necessary to deduct applicable costs. Capital investment amortization schedules are not developed or maintained. It will be necessary, therefore, to make estimates to establish initial maximum charges for amounts deductible from the Fund. These charges will be stated as a percentage of gross revenue. The development of necessary cost information to meet the needs of this alternative may be made easier as the agencies progress in the development of their planning-programming-budgeting systems. In any case, the determination of costs and allocation of joint costs among resource programs must be done in a manner that is reasonably consistent with economic principles.

Available cost information varies somewhat among the four major classes of resources covered in this alternative, timber, forage, minerals, and occupancy uses. Treatment of costs should give consideration to the following points:

(1) Federal programs dealing with mineral resources on the public lands are to a large extent separate from other resource programs. As a result, it may be possible to obtain readily separable cost estimates for minerals.

(2) Separate treatment is needed for costs of capital expenditures associated with resource management and use. To make possible the use of resources in the future, capital expenditures may be required today in areas that are not producing revenues today. For example, the level of revenues from sales of minerals depends in the long run on the level of exploration and, perhaps, the development of new technology for mineral use. It seems reasonable that some allocation of mineral receipts be made to accounts, or a revolving fund, that would be used to provide money to cover the costs of exploration and, perhaps, development of new technology. One problem would be to determine the amount that should go into such a revolving fund. Too little would restrict useful exploration activity; too much would lead to unnecessary expansion of programs. Since the future relationship between mineral exploration and mineral leasing and sales from Federal lands is not predictable, some system that would be based on recent history in mineral exploration expenditures and would allow for periodic review by a board of independent experts may be possible.

Treatment of timber costs poses a similar problem. Capital costs associated with timber growing include the cost of regeneration of timber stands, timber stand improvement costs to increase the annual growth or to shorten the time to harvest, and physical improvements, primarily access roads. To provide for such expenditures in the years following receipt of sales revenues, such capital costs should be treated in some sort of revolving fund or should be treated as deductible against expected future revenues. In either case, it is obvious that such capital costs cannot be financed from revenues as obtained. A capital fund or annual appropriations from the General Fund of the Treasury is needed with repayment occurring from the annual depreciation charges.

(3) The chief problems of allocating joint costs will occur in programs associated with timber and forage resources. Part of the program cost of range improvement and administration is attributable to wildlife and watershed management and should not be charged against the Central Fund. Part of the program costs associated with timber resource management may be attributable to the production and use of water, wildlife, and recreation.

E. For purposes of determining the effects of this policy alternative and as a possible interim measure prior to the time that accurate cost data become available, an assumption must be made concerning estimated cost levels associated with revenues from the "market" goods.

It is assumed that a temporary five-year ceiling of 35% of gross revenues could be imposed on program costs of all agencies for costs properly chargeable to the fund. This figure (35%) was estimated on the basis of consultations with Federal agency and private industry people familiar with programs relating to timber resources. It is used in the determination of effects of this alternative and is, in effect, proposed as the starting level for determining costs if this alternative were to be adopted. In the latter case, this ceiling would be periodically adjusted by Congress, provided cost analysis evidence is presented by the land administering agencies and the General Accounting Office supporting the viability of such change.

If this alternative were to be adopted, for those agencies for which costs associated with "market" goods are known and are less than 35%, as in the case of mineral leasing programs, only the actual costs would be deducted from the Central Fund. Moreover, as more accurate information is developed for other programs, cost levels below or above the level of 35% of gross revenues may be indicated. However, for the purpose of testing the effects of this alternative in this report, the 35% figure is used for all programs.

3. Advantages of the Alternative

A. While payments received by the state would not necessarily be equivalent to taxes foregone on the public lands (they may be less or greater than taxes), payments would bear a consistent relationship to total acreage of public land in the state and its average economic value, which are typically used as bases for determining taxes.

B. To the extent that Federal revenues from public land resources have tended to increase, payments to any one state would tend to increase over time with the values of the total public land resources. As Federal program management cost efficiency increased, the states would obtain some of the benefits of this increase and, therefore, have a direct concern with and an interest in efficient program management.

C. Redistribution of net revenues from a Central Fund to all states on an average-productivity value basis, rather than restricting payments to income produced from public lands within a state, would tend to spread the benefits of a chance geographic location of natural resources on the public lands among other states.

D. Restricting program costs for "market" goods kinds of Federal land programs to charges against the Central Fund relieves the general taxpayer from financing these programs independently of revenues produced by them. Proper operation of this alternative would provide incentives to agencies to maximize returns and thereby to increase both the total net revenue available for distribution and the absolute amount available to finance program costs. At the same time, program costs and land-use options for "public goods" land programs are not restricted by budget limitations since they are funded from General Fund appropriations.

4. Disadvantages of the Alternative

A. Payments to states will not necessarily represent the amount that would be forthcoming through property taxes if the lands were privately owned. Thus, the alternative does not necessarily satisfy the tax equivalency criterion of a full payment in lieu of taxes system from the point of view of the recipient states.

B. Payments to states would fluctuate to some extent with prices of public land resources and the quantities of these resources sold in a year. Since revenues from different resources would be lumped in the General Fund, however, the effect of fluctuation in the price or quantity of any one resource would tend to be minimized.

To counter this disadvantage, a policy could be established so that payments to individual states in any one year would not be less than the payment made in the previous year. Deficits occurring in the Central Fund because of this feature would be eliminated by appropriations from the General Fund of the Treasury, equal in amount to the deficit. The result of this policy would be that total distributions to all states would not decrease.

C. The absence of adequate cost accounting records by Federal agencies makes it necessary to substitute an interim estimate of cost-revenue relationship from commercially oriented activities upon public lands.

D. This alternative requires the disaggregation of joint cost items, (e.g. identification of those portions of multipurpose road costs attributable to timber harvesting, recreation, and general transportation) as well as the establishment and maintenance of business type accounting systems for those direct costs related to "market" goods on the public lands. This process is conceptually difficult and especially difficult to apply. Much improvement is required in existing techniques to effect such disaggregations.

E. Revenues from all programs are placed in the Central Fund. If income potential of the various land classes is not accurately reflected in the formula for distributing revenues to states, regions rich in resources will tend to support those that are poor in resources.

F. The manner in which this alternative would affect Federal agencies and their programs through the cost limitation device is not clear. To the extent that quantities of resources sold and their prices vary from year to year, the funds available for program costs would also vary, at least while costs are held to the 35% or some other predetermined level. The unwillingness of Federal agencies to absorb such possible variations in programs from year to year has been shown in the past.

G. In the case of resources that may be underpriced relative to market value, calculations of market value will be required to determine the proper amount to be deposited to the Fund and to be distributed to states. Making such calculations is very difficult and would be widely opposed by those groups now getting use of these resources.

5. Test of This Alternative Applied to 1966

This Central Fund-Net Revenue Alternative was tested using actual 1966 revenues, estimates of public agency costs chargeable to the fund that year and estimates of public land value classes based upon the GSA real property report for 1966 (see C., following).

A. Gross revenues constituting the Central Fund, totalling $373,749,541 in 1966, are shown in Table No. ALT-2a. From this, $112,124,862 and $15 million were deducted as the estimated operating cost and amortization of capital expenditures respectively (see Table No. ALT-2b).

These gross revenues include $2,956,508 received under the Migratory Bird Act and $294,096 under the Klamath Reclamation Project, both of which are for the sale of "market" type goods from lands administered under these provisions. In addition, they include $2,348,262 from the sale of lands; these revenues would not be included under the alternative as outlined above, Section 2.A, but have been included in this test of the alternative since revenues from sales of land are now shared. The effect of including these revenues is minor.

TABLE NO. ALT-2a

GROSS RECEIPTS AND PAYMENTS TO STATES FROM REVENUE SHARING, PILT AND RELATED PROGRAMS, 1966 ON FEDERAL LANDS WITHIN SCOPE OF PLLRC STUDY

(In Dollars)

Agency and Program	Program Gross Receipts (1)	Accrued Payments to States (2)
1. Revenue Sharing Programs		
U.S. Department of Agriculture		
National Forests	167,762,996	41,940,749
Arizona - New Mexico National Forests		
School Section Lands	102,930	102,930
U.S. Department of the Interior		
Bureau of Sport Fisheries & Wildlife		
Migratory Bird Act	2,956,208	1,550,703
LU & Reserved Lands	5,597	1,399
Bureau of Land Management		
Sale of Public Land & Timber	6,044,381[1]	241,775
Mineral Leasing Act	114,871,020[2]	47,594,344[2]
Taylor Grazing Act - Section 3	2,546,195	320,627
Taylor Grazing Act - Section 15	554,061[3]	277,031
Bureau of Reclamation		
Klamath Reclamation Project	294,096	73,524
Subtotal - Revenue Sharing	295,137,484	92,103,082
2. PILT Programs		
U.S. Department of Agriculture		
Superior National Forest	--	144,815
U.S. Department of the Interior		
Boulder Canyon Project	--	600,000
Subtotal - Revenue Sharing and PILT	295,137,484	92,847,987
3. Related Programs		
Knutson-Vandenburg (K-V) Collections	22,574.790	--
Road Construction by National Forest Timber Purchasers	56,037,267	--
Grand Total - Gross Receipts	373,749,541	92,847,897

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[1] Only 5% of 80% of the gross (4% of the gross) is shared.

[2] Excludes Red River Oil & Gas lands ($11,013 gross receipts, $4,130 accrued payments). Also excludes mineral lease receipts on LU land ($220,168 gross receipts, $55,042 accrued payments) reported for that part of the former National Grasslands under control of Bureau of Land Management.

[3] Includes $138,515 used for range improvement.

Sources: Compiled from special and published reports of agencies, including Public Land Statistics, 1966, Bureau of Land Management; Annual Report of the Secretary of the Treasury, 1966; Report of the Chief of the Forest Service, 1966.

TABLE NO. ALT-2b

ESTIMATION OF THE NET REVENUE FUND FROM REVENUE SHARING PROGRAMS, 1966

Gross Receipts[1]	$373,749,541
Less: Operating Costs[2]	(112,124,862)
Amortization of Capital Resource Expenditures[3]	(15,000,000)
Net Revenue Fund	$246,624,679
Rounded to:	$247,000,000

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[1] From Table No. ALT-2a Column (1).

[2] Based on estimate of weighted average operating and administrative costs for all agencies, equal to 30% of Gross Receipts.

[3] Estimate based on estimated average annual expenditures by all agencies, amortized over average 10-year life @ 5% interest and level annual payments (mortgage amortization method).

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B. Costs deducted from the fund, for the test applied to the 1966 data, were estimated to be equal to 30% of gross revenues for operating expenses and about 5% of gross revenues for the annual amortization of capital expenditures, including interest at 5%. The method used for the latter was to establish the average capital resource expenditures by all agencies as reported in a series of county case studies. Average annual expenditures were than analyzed as to the typical useful life for each of the resource expenditure categories; then a weighted average life was computed and found to be about 10 years. Using a level payment amortization calculation, including 5% interest, the annual charge was computed and found to be about 5% relative to gross revenues.

The estimate for operating expenses was approached in a similar manner, e.g. by an analysis of data furnished by land management agencies for certain case counties. However, it was found that these could not be readily and reliably separated from expenditures which pertain in part or in their entirety to nonrevenue producing land uses. Thus, only an impression of the overall magnitude was obtained which was then compared with private industry data for selected programs, e.g. commercial forest management, cost of protecting and administering mineral bearing lands. However, private industry records also cannot be taken at their "face value" because they reflect tax strategies, intercompany pricing and cost allocations and other factors. In short, the estimate for operating expenditures applied is a reflection of informed judgments, weighted by the relative shares of program types and their probable revenue-expenditure relationships.

The data, which would have to be collected within the framework of restructured land management agency accounting systems, would have to reflect the appropriately allocable costs, which for the Forest Service, for example, would include varying portions of the following present cost categories:

Timber Resource Management
Range Resource Management
Land Classifications, Surveys
Forest Fire Protection
Structural Improvements
Employees Compensation Fund
Fighting Forest Fires
Insect and Disease Control
Timber Purchaser Road Plans
Brush Disposal

Also, certain Forest Service research expenses are properly applicable against gross revenues. These are expenses for research activities which are conducted for and are likely to result in improvements in the economic efficiency and productivity of the national forest lands. They would include varying portions of the following research categories: Timber and Range Management, Fire Prevention, Disease Prevention and Control, Forest Engineering, Surveying and Forest Economics.

C. The land class value coefficients discussed in Section 3.C. were developed for the test year in a manner fully described in the discussion of Alternative No. 1.

D. Effects of the 1966 test are discernible from the data in Table No. ALT-2c. First of all, the net distribution to all eligible states, as shown in Column 4 represents an increase of over $154 million over the 1966 accrued actual payments. This large increase is, of course, due to the distribution of about 65% of gross revenues as compared with the varying and mostly much smaller percentages distributed in the current programs. Contrarily and due to the fundamental difference in the method of apportionment to states -- the land value coefficient versus the state of origin for the distributed revenue -- 21 states would have received lesser payments than actually accrued in their favor. These 21 states would have shared a total reduction of $17,868,215 while 26 states would have shared a net increase of $172,511,692. (3 states, Connecticut, Hawaii and Rhode Island would not participate.)

Wyoming and New Mexico would have been most severely affected. Both states have benefited from relatively large shared mineral leasing revenues, obtaining almost 29% of all shared revenues, while on the basis of the distribution formula proposed herein their shares of the total fund would total only slightly more than 5%. The decreased payments to New Mexico and Wyoming under this alternative, however, are less than the decreased payments they would experience under the tax equivalency payments in lieu of tax alternative (Alternative No. 1), primarily because of the larger total distribution in this alternative.

California would be the largest gainer. Its share of the total available for distribution would increase from a little over 10% to almost 22%. Oregon would receive the largest share, over 22% of the total, resulting in the second largest increase of about $35 million. Alaska would have the third largest increase as its share of 14.8%, would amount to 4-1/2 times the 1966 accrual and reflect an increase of $28.5 million.

TABLE NO. ALT-2c   Page 1 of 2

IMPACT ON THE STATES IN 1966 IF A NET REVENUE FUND[1/] HAD BEEN DISTRIBUTED TO STATES ON THE BASIS OF TOTAL MARKET VALUE OF SECTION 10 LANDS

(In Dollars)

State	Current RS & PILT Accrued Payments Applicable Programs (1)	Market Value Sec. 10 Lands % of Total in State[2/] (2)	Distribution of Net Fund[3/] (3)	Increase (or Decrease) Over Current Payments (4)
U.S. Total[4/]	92,847,897	100.000	247,000,000	154,152,103
Alabama	248,980	.081	200,070	(48,910)
Alaska	8,031,609	14.794	36,541,180	28,509,571
Arizona	975,329	4.854	11,989,380	11,014,051
Arkansas	1,008,324	.883	2,181,010	1,172,686
California	9,506,462	21.852	53,974,440	44,467,978
Colorado	3,538,443	2.432	6,007,040	2,468,597
Connecticut	0	a/	a/	a/
Delaware	15,187	.009	22,230	7,043
Florida	261,623	.711	1,756,170	1,494,547
Georgia	381,260	.050	123,500	(257,760)
Hawaii	0	a/	a/	a/
Idaho	1,481,864	5.020	12,399,400	10,917,536
Illinois	96,126	.015	37,050	(59,076)
Indiana	9,615	.006	14,820	5,205
Iowa	11,092	.007	17,290	6,198
Kansas	152,577	.032	79,040	(73,537)
Kentucky	104,537	.022	54,340	(50,197)
Louisiana	803,956	.072	177,840	(626,116)
Maine	6,540	.003	7,410	870
Maryland	21,797	.013	32,110	10,313
Massachusetts	4,285	.003	7,410	3,125
Michigan	226,316	.152	375,440	149,124
Minnesota	312,206	.231	570,570	258,364
Mississippi	1,017,448	.086	212,420	(805,028)
Missouri	159,560	.060	148,200	(11,360)
Montana	3,406,593	2.697	6,661,590	3,254,997
Nebraska	60,742	.035	86,450	25,708
Nevada	909,065	4.446	10,981,620	10,072,555
New Hampshire	66,250	.014	34,580	(31,670)
New Jersey	19,747	.009	22,230	2,483
New Mexico	11,776,759	2.075	5,125,250	(6,651,509)
New York	14,890	.010	24,700	9,810
North Carolina	284,097	.096	237,120	(46,977)
North Dakota	266,103	.047	116,090	(150,013)
Ohio	33,367	.021	51,870	18,503
Oklahoma	274,409	.034	83,980	(190,429)
Oregon	19,909,847	22.160	54,735,200	34,825,353
Pennsylvania	241,027	.019	46,930	(194,097)

TABLE NO. ALT-2c (Continued) Page 2 of 2

IMPACT ON THE STATES IN 1966 IF A NET REVENUE FUND[1] HAD BEEN DISTRIBUTED TO STATES ON THE BASIS OF TOTAL MARKET VALUE OF SECTION 10 LANDS

(In Dollars)

State	Current RS & PILT Accrued Payments Applicable Programs (1)	Market Value Sec. 10 Lands % of Total in State[2] (2)	Distribution of Net Fund[3] (3)	Increase (or Decrease) Over Current Payments (4)
Rhode Island	0	a/	a/	a/
South Carolina	641,614	.043	106,210	(535,404)
South Dakota	175,095	.276	681,720	506,625
Tennessee	95,717	.043	106,210	10,493
Texas	683,249	.058	143,260	(539,989)
Utah	3,783,409	2.769	6,839,430	3,056,021
Vermont	122,294	.010	24,700	(97,594)
Virginia	113,905	.042	103,740	(10,165)
Washington	6,192,318	10.504	25,944,880	19,752,562
West Virginia	175,432	.039	96,330	(79,102)
Wisconsin	157,608	.054	133,380	(24,228)
Wyoming	15,069,224	3.111	7,684,170	(7,385,054)

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a/ Less than .0001% or less than $40.

[1] Net Fund represents the total gross receipts from revenue sharing payments in lieu of taxes and related programs on Section 10 lands less the estimated operating costs, and the amortization of capital resource expenditures.

[2] Based on the estimated market value of all Section 10 (P.L. 88-606) lands in the states. (See Table No. ALT-1b, Col. 4).

[3] Total distributed by state according to percentages shown in Col. 2.

Sources: Col. 1: Based on data provided by Federal agencies administering the programs.

Col. 2: Based on Table ALT-1b.

Col. 3: Based on Table ALT-2b.

ALTERNATIVE NO. 3

Revenue Sharing System Distributing Fifty Percent of All Gross Revenues on a Property Tax Loss Formula

1. Introduction

This proposed alternative is conceived of as a substitute for all existing revenue sharing systems applicable to the lands specified by Section 10 of PL 88-606 except the Outer Continental Shelf Lands of the United States.

This system relies upon the following concepts:

A. State and local governments should receive a consideration from the Federal government in the form of annual cash payments where the Federal government holds land within the geographic confines of their respective jurisdictions which would, if it were privately owned, yield governmental revenue through real property taxation.

B. Such payments would be made on a uniform share of the revenues obtained from market value goods and surface uses of the Federal lands, namely, 50% of all gross revenues.

C. The distribution of the shared revenue among states should be on the basis of each state's relative loss of property tax revenues.

D. All payments would be made to states rather than states and counties.

2. Methods and Features

The alternative discussed herein is intended to operate in the following manner:

A. Revenues accruing from the economic activities upon public lands, i.e. sale of timber, forage, land, grazing rights, etc., would be placed in a special fund maintained by the Treasury and 50% of the revenues deposited would be distributed to the states. Gross revenues shall be the revenues from those land utilization programs from which revenues are currently shared at the varying rates. Hence, the significant departure from the present systems proposed herein and in respect of the level of revenue shared is the uniform distribution of 50% of gross revenues.

This proposal recognizes that in establishing the various percentages shared under the present systems, for the most part, arbitrary figures were agreed upon in the legislative process. In some cases, compromises were reached. The 50% sharing level proposed herein is higher than the average for all existing programs and, therefore, this proposal implicitly attempts to provide greater net receipts for the states as compensation for the loss in property tax revenues which would accrue if the lands were in private ownership.

B. The formula selected for the distribution of the shared revenues among the states reflects each state's relative loss of property tax revenues. The mechanics of the formula provide for the ascertainment of the property tax which would accrue to each state and its local units of government if the lands were in private ownership. The sum of the property tax revenue which would accrue to all states is equal to 100% of the potential tax revenue and the amount lost by each state divided by the loss of all states represents the percentage to which each state would be eligible as its share of the total revenues available for distribution to states.

C. Distribution of the shared revenues to states is suggested. State governments would be expected to redistribute these revenues directly or indirectly to their local governmental units in accordance with state law and fiscal policies. For a discussion of this procedure see Alternative No. 2, paragraph 2, item C and also Alternative No. 1, paragraph 2, item F.

3. Advantages of the Alternative

A. This proposal provides for a method of revenue sharing in which each state shares in proportion to the economic value of the Federal lands within their jurisdictions. This is so because the tax equivalent, i.e. the tax revenue lost by the states, is typically a function of the land's economic value or potential. Hence, the distribution formula reflects the economic value of the lands and, in addition, the prevailing assessment and tax rate practices.

B. Sharing of gross revenues among all states on a uniform basis eliminates claims and inequalities which result from the present system of varying percentage shares ranging from a low of 5% to a high of 90%.

C. Because states would share the revenues accruing from the economic activities upon the Federal lands throughout the nation and not those within their geographic boundaries, there would be greater stability in the annual amounts and thereby facilitate the budgeting process of the recipient states and, in turn, their units of local government.

D. Since no state would be directly dependent upon the revenues generated upon the lands within its jurisdiction, pressures for increased economic output by state and local governments could be expected to cease. This is desirable especially where such pressures may have been to the detriment of the long-term multiple use land management practices.

4. Disadvantages of the Alternative

A. The payments to states will not necessarily represent the amount which would be forthcoming through property taxes if the lands were privately owned, and thus does not necessarily satisfy the tax equivalency criterion of a full payment in lieu of taxes system from the point of view of the recipient states.

B. The distribution formula, to be reasonably accurate, requires the assessment of all eligible Federal lands, a mammoth task which, during the entire history of Federal land ownership, has never been performed for all Federal lands.

C. Because the distribution formula also reflects state and local land assessment practices and tax rates, administrative checks are needed to prevent the unilateral institution of changes in state-local government assessment practices and tax rates to the detriment of the Federal interest.

D. The net cost to the Federal government will be higher than under the current systems. Revenue shares accrued for all states in 1966 amounted to under 31.2% of the gross revenues from which these shares were accrued.[1/]

E. The proposed system lacks incentives for the Federal land management agencies to obtain greater economic efficiency and for the states and local governments to facilitate greater economic use of the lands. So long as Federal land management agency expenditures are not related in any way to the revenues generated thereform, there is no incentive to improve the cost-benefit ratio. When state and local governments obtain no direct advantage from the investment of state and local revenues in the construction and maintenance of access roads, for example, as these might facilitate increased timber harvest, for example, these units of government could not be expected to continually devote their resources to direct and indirect improvements in the relative position of Federal lands.

5. Test of This Alternative Applied to 1966

The effects of this alternative were tested using actual 1966 revenues and applying a distributive formula, the method for which is fully explained in Alternative No. 1. It is not suggested that the method employed for the test could be used in the actual operation of the system proposed herein.

1/ See Table No. ALT-2a in Alternative No. 2 showing gross revenues of $295 million and accrued payments of $92 million.

A. Table No. ALT-3 contains figures for the U. S. total and each of the states. They show that the distribution of 50% of gross revenues would cause increased Federal expenditures, over the actual accruals for 1966, of $94 million.

B. Despite the increase of over 50% in the total amount shared by all states, 24 states would be receiving smaller payments than they have received under the existing systems. The aggregate reduction in payments to these 24 states was calculated to amount to $24.8 million. Of this reduction, almost $20 million would be shared by the states of New Mexico and Wyoming. The considerable loss of revenue to these states is a function of the relatively large accrued payments to these states from mineral leasing activities which accounted for 97% and 98% of the total amounts accrued to these states in 1966, while on a "tax loss basis" the shares of these states are only 1.2% and 2.6% of the total revenue shared by all states.

C. Twenty-three states would share the increase in Federal payments and the loss or decrease in payments to the 24 states mentioned under B. above. The aggregate increase for these 23 states would amount to total of $118.8 million. The states to benefit mostly are the public land intense states of Alaska, California, Oregon, Arizona, Idaho and Washington, whose lands have relatively higher values and resulting property tax losses than is reflected in the current economic activities upon these lands and the resulting revenue shared.

TABLE NO. ALT-3 Page 1 of 2

IMPACT ON THE STATES IN 1966 IF 50 PERCENT OF GROSS REVENUES[1] HAD BEEN DISTRIBUTED TO STATES ON THE BASIS OF TOTAL POTENTIAL TAX REVENUES FROM SECTION 10 LANDS

(In Dollars)

State	Current RS & PILT Accrued Payments Applicable Programs (1)	Potential Tax Revenue % of Total in State[2] (2)	50% of Gross Revenues Distributed (3)	Increase (or Decrease) Over Current Payments (4)
U.S. Total[3]	92,847,897	100.000	186,874,770	94,026,873
Alabama	248,980	.031	57,931	(191,049)
Alaska	8,031,609	11.484	21,460,700	13,429,091
Arizona	975,329	5.035	9,409,145	8,433,816
Arkansas	1,008,324	.479	895,130	(113,194)
California	9,506,462	23.867	44,601,402	35,094,940
Colorado	3,538,443	3.125	5,839,837	2,301,394
Connecticut	0	a/	a/	a/
Delaware	15,187	.006	11,212	(3,975)
Florida	261,623	.464	867,099	605,476
Georgia	381,260	.035	65,406	(315,854)
Hawaii	0	a/	a/	a/
Idaho	1,481,864	5.000	9,343,738	7,861,874
Illinois	96,126	.014	26,162	(69,964)
Indiana	9,615	.007	13,081	3,466
Iowa	11,092	.008	14,950	3,858
Kansas	152,577	.036	67,275	(85,302)
Kentucky	104,537	.015	28,031	(76,506)
Louisiana	803,956	.034	63,537	(740,419)
Maine	6,540	.004	7,475	935
Maryland	21,797	.014	26,162	4,365
Massachusetts	4,285	.005	9,344	5,059
Michigan	226,316	.158	295,262	68,946
Minnesota	312,206	.291	543,806	231,600
Mississippi	1,017,448	.060	112,125	(905,323)
Missouri	159,560	.050	93,437	(66,123)
Montana	3,406,593	2.539	4,744,750	1,338,157
Nebraska	60,742	.047	87,831	27,089
Nevada	909,065	4.489	8,388,808	7,479,743
New Hampshire	66,250	.020	37,375	(28,875)
New Jersey	19,747	.013	24,294	4,547
New Mexico	11,776,759	1.183	2,210,729	(9,566,030)
New York	14,890	.014	26,162	11,272
North Carolina	284,097	.050	93,437	(190,660)
North Dakota	266,103	.053	99,044	(167,059)
Ohio	33,367	.018	33,637	270
Oklahoma	274,409	.023	42,981	(231,428)
Oregon	19,909,847	28.161	52,625,805	32,715,958
Pennsylvania	241,027	.016	29,900	(211,127)

TABLE NO. ALT-3 (Continued)

IMPACT ON THE STATES IN 1966 IF 50 PERCENT OF GROSS REVENUES1/ HAD BEEN DISTRIBUTED TO STATES ON THE BASIS OF TOTAL POTENTIAL TAX REVENUES FROM SECTION 10 LANDS

(In Dollars)

	Current RS & PILT Accrued Payments Applicable Programs (1)	Potential Tax Revenue % of Total in State2/ (2)	50% of Gross Revenues Distributed (3)	Increase (or Decrease) Over Current Payments (4)
Rhode Island	0	a/	a/	a/
South Carolina	641,614	.021	39,244	(602,370)
South Dakota	175,095	.367	685,830	510,735
Tennessee	95,717	.029	54,194	(41,523)
Texas	683,249	.044	82,225	(601,024)
Utah	3,783,409	2.397	4,479,388	695,979
Vermont	122,294	.012	22,425	(99,869)
Virginia	113,905	.030	56,062	(57,843)
Washington	6,192,318	7.576	14,157,633	7,965,315
West Virginia	175,432	.022	41,112	(134,320
Wisconsin	157,608	.068	127,075	(30,533)
Wyoming	15,069,224	2.586	4,832,582	(10,236,642)

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a/ Less than 0.0001% or less than $40.

1/ United States total is based on gross revenues of $373,749,541 from all applicable revenue sharing and payments in lieu of taxes programs, Knutson-Vandenberg collections, and national forest timber road construction. (See Table ALT-2a. Total distributed by state according to percentages shown in Col. 2.

2/ Based on the estimated real property taxes that would have been collected by the states if all Section 10 (P.L. 88-606) lands had been in private ownership.

3/ Excluding the District of Columbia.

Sources: Col. 1: Based on data provided by Federal agencies administering the programs.

Col. 2: Based on Table No. ALT-1e.

ALTERNATIVE NO. 4

Fixed Annual Payments of Ten Cents or Twenty-Five Cents Per Acre of Federal Land in Lieu of Current Revenue Sharing and Payments in Lieu of Taxes Systems

1. Introduction

The proposed alternative is conceived of as a substitute for all existing revenue sharing and payments in lieu of taxes systems applicable to the land specified by Section 10 of PL 88-606 except the Outer Continental Shelf lands of the United States. This system relies upon the following concepts:

A. State and local governments should receive a consideration from the Federal government in the form of annual cash payments where the Federal government holds land within the geographic confines of their respective jurisdictions which would, if it were privately owned, yield governmental revenue through real property taxation.

B. Such payments shall be related to the service area (acreage) of land only and bear no relevance to the income producing capability of the Federal land lying within each jurisdiction.

C. All such payments made to state and local governments by the Federal government should be financed from the gross revenues accruing nationwide to the Federal government from the sale of economic goods produced from the land.

D. Payments shall be made to states with whatever direct or indirect redistribution by states to local governments as state law and state fiscal policy imply (for a comprehensive discussion of this topic see Alternative No. 1, paragraph 2, item F.).

2. Methods and Features

The alternative discussed herein is intended to operate in the following manner:

A. Revenues accruing from the economic activities upon public lands would be placed in a special fund of the Treasury from which annual distributions to states would be made in accordance with the formula proposed herein.

Income from recreation and recreation related activities upon Federal land is to be excluded from the fund; however, to the extent that deficits in the payments to the fund versus the disbursements to states might arise, such would be compensated by appropriations from the General Fund.

B. Because payments to states would be based on the acreage of land within their jurisdictions, the alternative proposed herein would provide increased payments when private lands are acquired by the Federal government and, likewise, payments would be reduced when Federal lands are sold, thereby making them available for property taxation.

C. The uniform application of a fixed annual payment per acre prevents any favoritism of any state which is fortunate to have within its jurisdiction lands of relatively high economic value as opposed to those states which have lands of relatively low economic value.

D. Also, because the payment to states would be on a per acre basis and the fund from which such payments are distributed would not rely exclusively upon the revenues obtained from such lands, the Federal land management programs would not be influenced by the need to generate certain revenues for sharing by and distribution to states. Thereby, any conflicts between near-term maximization of market values and long-term resource utilization would be avoided.

3. Advantages of the Alternative

A. While payments received by the states would not necessarily be equivalent to tax revenues if the lands were in private ownership nor would they necessarily be as much as the payments under the current RS and PILT system, states would be assured of a minimum annual payment which bears relationship to total acreage of public land in the state. The amount of the annual payment would be known in advance, it would fluctuate only to the extent that additional Federal lands were acquired or disposed of during the preceding year and, consequently, states and their local governments could rely on the amount due them for budgetary purposes.

B. The alternative proposed herein is immune to fluctuations in the annual revenues produced from the Federal lands, both on a national and a state-by-state basis, and the actual payment could not be less than in the previous year except for any reduction in Federal land acreage. For such a reduction, states would be expected to be compensated by the tax revenues which would then be obtainable from such lands if they were sold to private interests.

C. The administration of the proposed system is extremely simple. The only requirement is an up-to-date and current inventory of eligible

Federal land acreage by state. Federal land management agencies would no longer have to calculate the revenue shares due states and counties on the basis of the existing body of laws. Distribution of the payments to states could be handled by one central disbursing agency, such as the Treasury, and would not involve any complicated calculations but merely the issuance of a voucher certifying the eligible acreage in each state. This certification would be available from the updated and current land inventory previously mentioned.

4. Disadvantages of the Alternative

A. The payments to states might be substantially less than under current RS and PILT programs and they might also be less than the tax revenues which would accrue to the states and local governments if the lands were privately owned.

B. A fixed sum per acre bears no reference to the economic value of the applicable lands and, therefore, as demand for market value products and other surface utilizations increase, no increase in payments would result. Similarly, as the need for increased revenues by state and local governments progress, local governments especially would be relying in large measure upon increased revenues obtained from Federal lands.

C. The method of a fixed annual payment deprives Federal, state and local governments of any incentives to improve the economic efficiency in the utilization of Federal lands. In respect to state and local governments, they could no longer be expected to devote any of their resources to the improvement of access to and the marketability of products from the Federal lands as expenditures for such purposes would not ever result in any returns to such governments.

5. Test of This Alternative Applied to 1966

While the two levels of payment per acre, 10¢ and 25¢, are believed to be arbitrary choices, both levels were applied to the applicable Federal acreage by state and compared with the 1966 accrued payments. The appropriate calculations and the results are contained in Table No. ALT-4.

A. The 1966 payments to all states averaged 12.6¢/acre. Consequently, the application of this alternative at 10¢/acre results in an aggregate reduction in payments to all states of $19.4 million. Conversely, at the 25¢/acre level the aggregate payments would exceed the 1966 payments by $90.8 million.

B. At the 10¢/acre payment level, 36 states would be receiving lesser amounts than were actually accrued for them in 1966. Their combined loss

TABLE NO. ALT-4

EFFECT OF FIXED ANNUAL PAYMENTS OF 10 CENTS, AND 25 CENTS PER ACRE COMPARED WITH REVENUE SHARING AND PAYMENTS IN LIEU OF TAXES ON SECTION 10 LANDS, 1966

BY STATE

State	Section 10 Lands (Acres) (1)	Current RS & PILT Accrued Payments ($000) (2)	If Payments were 10¢ Per Acre: Amount ($000) (3)	If Payments were 10¢ Per Acre: Difference from Col. 2 ($000) (4)	If Payments were 25¢ Per Acre: Amount ($000) (5)	If Payments were 25¢ Per Acre: Difference from Col. 2 ($000) (6)
U. S. Total[1/]	734,429,712	92,847.9	73,443.0	(19,405.1)	183,607.4	90,759.5
Alabama	643,497	249.0	64.3	(184.7)	160.9	(88.1)
Alaska	358,032,222	8,031.6	35,803.3	27,771.7	89,508.3	81,476.7
Arizona	32,149,470	975.3	3,215.0	2,239.7	8,037.4	7,062.1
Arkansas	2,585,293	1,008.3	258.5	(749.8)	646.3	(362.0)
California	42,476,077	9,506.5	4,247.6	(5,258.9)	10,619.0	1,112.5
Colorado	23,078,791	3,538.4	2,307.9	(1,230.5)	5,769.7	2,231.3
Connecticut	16	0	a/	a/	a/	a/
Delaware	19,140	15.2	1.9	(13.3)	4.8	(10.4)
Florida	1,351,512	261.6	135.2	(126.4)	337.9	76.3
Georgia	1,168,770	381.3	116.9	(264.4)	292.2	(89.1)
Hawaii	1,767	0	.2	.2	.4	.4
Idaho	33,628,537	1,481.9	3,362.8	1,880.9	8,407.1	6,925.2
Illinois	264,313	96.1	26.4	(69.7)	66.1	(30.0)
Indiana	127,216	9.6	12.7	3.1	31.8	22.2
Iowa	28,383	11.1	2.8	(8.3)	7.1	(4.0)
Kansas	47,874	152.6	4.8	(147.8)	12.0	(140.6)
Kentucky	524,158	104.5	52.4	(52.1)	131.0	26.5
Louisiana	832,609	804.0	83.3	(720.7)	208.2	(595.8)
Maine	72,361	6.5	7.2	.7	18.1	11.6
Maryland	21,015	21.8	2.1	(19.7)	5.2	(16.6)
Massachusetts	10,661	4.3	1.1	(3.2)	2.7	(1.6)
Michigan	2,707,343	226.3	270.7	44.4	676.8	450.5
Minnesota	3,308,748	312.2	330.9	18.7	827.2	515.0
Mississippi	1,194,099	1,017.4	119.4	(898.0)	298.5	(718.9)
Missouri	1,409,879	159.6	141.0	(18.6)	352.5	192.9
Montana	25,294,595	3,406.6	2,529.5	(877.1)	6,323.6	2,917.0
Nebraska	426,349	60.7	42.6	(18.1)	106.6	45.9
Nevada	60,869,686	909.1	6,087.0	5,177.9	15,217.4	14,308.3
New Hampshire	678,516	66.2	67.8	1.6	169.6	103.4
New Jersey	21,018	19.8	2.1	(17.7)	5.2	(14.6)
New Mexico	25,392,184	11,776.8	2,539.2	(9,237.6)	6,348.0	(5,428.8)
New York	17,156	14.9	1.7	(13.2)	4.3	(10.6)
North Carolina	1,233,801	284.1	123.4	(160.7)	308.4	24.3
North Dakota	446,494	266.1	44.6	(221.5)	111.6	(154.5)
Ohio	117,922	33.4	11.8	(21.6)	29.5	(3.9)
Oklahoma	399,505	274.4	40.0	(234.4)	99.9	(174.5)
Oregon	29,709,816	19,909.9	2,971.0	(16,938.9)	7,427.4	(12,482.5)
Pennsylvania	478,806	241.0	47.9	(193.1)	119.7	(121.3)

TABLE NO. ALT-4 Page 2 of 2

EFFECT OF FIXED ANNUAL PAYMENTS OF 10 CENTS, AND 25 CENTS PER ACRE COMPARED WITH REVENUE SHARING AND PAYMENTS IN LIEU OF TAXES ON SECTION 10 LANDS, 1966 BY STATE

State	Section 10 Lands (Acres) (1)	Current RS & PILT Accrued Payments ($000) (2)	If Payments were 10¢ Per Acre: Amount ($000) (3)	If Payments were 10¢ Per Acre: Difference from Col. 2 ($000) (4)	If Payments were 25¢ Per Acre: Amount ($000) (5)	If Payments were 25¢ Per Acre: Difference from Col. 2 ($000) (6)
Rhode Island	26	0	a/	a/	a/	a/
South Carolina	725,148	641.6	72.5	(569.1)	181.3	(460.3)
South Dakota	1,654,436	175.1	165.4	(9.7)	413.6	238.5
Tennessee	609,413	95.7	60.9	(34.8)	152.4	56.7
Texas	775,976	683.2	77.6	(605.6)	194.0	(489.2)
Utah	34,930,362	3,783.4	3,493.0	(290.4)	8,732.6	4,949.2
Vermont	237,697	122.3	23.8	(98.5)	59.4	(62.9)
Virginia	1,489,726	113.9	149.0	35.1	372.4	258.5
Washington	11,400,039	6,192.3	1,140.0	(5,052.3)	2,850.0	(3,342.3)
West Virginia	909,656	175.4	91.0	(84.4)	227.4	52.0
Wisconsin	1,638,661	157.6	163.9	6.3	409.7	252.1
Wyoming	29,288,973	15,069.3	2,928.9	(12,140.4)	7,322.2	(7,747.1)

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a/ Less than $50.

1/ Excluding District of Columbia.

Sources: Col. 1: Table No. A-1A.

Col. 2: Based on data provided by Federal agencies administering the programs.

would amount to $56.6 million. The three states most adversely affected would be Oregon, Wyoming and New Mexico. The reason for the adverse impact upon these three states is the relatively large revenue per acre shared by each of them and this, of course, is a function of the high productivity of some of the lands in these states. Conversely, the states of Alaska, Nevada and Arizona would obtain the greatest gains in payments which is due to precisely the opposite reason as that mentioned before. These three states have large Federal acreages and relatively small per acre revenues.

C. At the 25¢/acre level there would still be 24 states receiving lesser revenues than were accrued for them under the existing systems; this, in spite of the aggregate increase of $90.8 million. The reduction in payments to these 24 states would amount to $32.5 million, while 24 other states would share a net increase of $123.3 million. The three largest losers and gainers among the states would be the same as discussed under B. above and for the same reasons.

Both payment levels of this alternative were also applied to the 50 case counties. These are identified in Table No. ALT-4CS which also contains applicable acres, the 1966 RS and PILT payments, and the appropriate calculations.

A. The 1966 payments to all counties averaged 18.2¢/acre. Consequently, at the 10¢/acre level, a reduction in the aggregate payments must occur. This reduction amounts to $5.7 million. However, 24 of the 50 counties would experience an aggregate reduction of almost $9.6 million while the remaining 26 counties would share an increase of over $3.8 million. The most severely affected counties would be Lane, Oregon; Skamania, Washington, and Trinity, California.

B. At the 25¢/acre payment level the aggregate payments would exceed the 1966 total by about $4.77 million. Still, 10 counties would receive some $7.7 million less than they received in 1966, while the remaining 40 counties would share a net increase of about $12.5 million over their 1966 payments. Again, the same three counties would be the most adversely affected.

C. The application of this 1966 test is indicative of the significant shifts which would occur if a flat per acre payment were to be made instead of the current system. This, of course, is a function of the substantial differences in the current per acre revenues from the different programs. The entire State of Alaska, as an extreme example, is shown to have received an average of 2.2¢/acre in 1966 while Lane County, Oregon has received an

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TABLE NO. ALT-4-CS

EFFECT UPON 50 CASE COUNTIES OF FIXED ANNUAL PAYMENTS OF 10 CENTS AND 25 CENTS PER ACRE COMPARED WITH REVENUE SHARING AND PAYMENTS IN LIEU OF TAXES, 1966

Case Counties	Federal Land1/ (No. Acres) (1)	Current RS & PILT Accrued Payments2/ ($) (2)	If Payments were 10¢ Per Acre: Amount ($) (3)	If Payments were 10¢ Per Acre: Difference from Col. 2 ($) (4)	If Payments were 25¢ Per Acre: Amount ($) (5)	If Payments were 25¢ Per Acre: Difference from Col. 2 ($) (6)
Mohave, Arizona	5,271,101	110,111	527,110	416,999	1,317,775	1,207,664
Yuma, Arizona	3,157,754	5,445	315,775	310,330	789,438	783,993
Johnson, Arkansas	188,596	28,225	18,860	(9,365)	47,149	18,924
Del Norte, California	450,009	618,526	45,001	(573,525)	112,502	(506,024)
Fresno, California	1,105,966	171,027	110,597	(60,430)	276,492	105,465
Nevada, California	157,009	88,484	15,701	(72,783)	39,252	(49,232)
San Bernardino, California	7,517,291	88,508	751,728	663,220	1,879,324	1,790,816
Trinity, California	1,474,667	985,475	147,467	(838,008)	368,667	(616,808)
Fremont, California	457,207	1,874	45,721	43,847	114,302	112,428
Grand, Colorado	708,288	15,845	70,829	54,984	177,072	161,227
Gunnison, Colorado	1,623,949	50,886	162,395	111,509	405,987	355,101
Las Animas, Colorado	113,640	12,682	11,364	(1,318)	28,410	15,728
Mesa, Colorado	1,502,778	176,375	150,278	(26,097)	375,694	199,319
Moffat, Colorado	1,574,111	308,965	157,411	(151,554)	393,528	84,563
Montrose, Colorado	960,003	45,920	96,000	50,080	240,001	194,081
Rio Blanco, Colorado	1,575,706	312,114	157,571	(154,543)	393,926	81,812
Rio Grande, Colorado	333,218	16,551	33,322	16,771	83,304	66,753
Summit, Colorado	317,283	9,955	31,728	21,773	79,321	69,366
Clearwater, Idaho	807,501	123,024	80,750	(42,274)	201,875	78,851
Owyhee, Idaho	3,794,845	10,456	379,484	369,028	948,711	938,255
Gogebic, Michigan	275,974	33,024	27,597	(5,427)	68,994	35,970
Cass, Minnesota	283,210	18,969	28,321	9,352	70,802	51,833
Itasca, Minnesota	299,625	20,068	29,962	9,894	74,906	54,838
Lake, Minnesota	737,530	88,998	73,753	(15,245)	184,382	95,384
Marshall, Minnesota	61,090	11,386	6,109	(5,277)	15,272	3,886
St. Louis, Minnesota	764,312	64,798	76,431	11,633	191,078	126,280
Garfield, Montana	906,031	42,048	90,603	48,555	226,508	184,460
Lincoln, Montana	1,750,957	335,786	175,096	(160,690)	437,739	101,953

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TABLE NO. ALT-4-CS (Continued)

EFFECT UPON 50 CASE COUNTIES OF FIXED ANNUAL PAYMENTS OF 10 CENTS AND 25 CENTS PER ACRE COMPARED WITH REVENUE SHARING AND PAYMENTS IN LIEU OF TAXES, 1966

Case Counties	Federal Land1/ (No. Acres) (1)	Current RS & PILT Accrued Payments2/ ($) (2)	If Payments were 10¢ Per Acre		If Payments were 25¢ Per acre	
			Amount ($) (3)	Difference from Col. 2 ($) (4)	Amount ($) (5)	Difference from Col. 2 ($) (6)
Clark, Nevada	2,978,387	1,947	297,839	295,892	744,597	742,650
Elko, Nevada	7,854,580	34,002	785,457	751,455	1,963,646	1,929,644
Carroll, New Hampshire	144,991	14,158	14,499	341	36,248	22,090
Coos, New Hampshire	201,380	19,664	20,138	474	50,345	30,681
Grafton, New Hampshire	332,106	32,429	33,211	782	83,026	50,597
Rio Arriba, New Mexico	1,949,411	39,269	194,941	155,672	487,353	448,084
Sierra, New Mexico	1,199,040	9,218	119,904	110,686	299,760	290,542
Cherokee, North Carolina	88,739	57,011	8,874	(48,137)	22,185	(34,826)
Lake, Oregon	3,893,315	603,730	389,332	(214,398)	973,329	369,599
Lane, Oregon	1,330,815	4,779,356	133,082	(4,646,274)	332,704	(4,446,652)
Forest, Pennsylvania	115,579	60,242	11,558	(48,684)	28,895	(31,347)
Pennington, South Dakota	612,235	41,363	61,224	19,861	153,059	111,696
Angelina, Texas	102,816	28,509	10,282	(18,227)	25,704	(2,805)
Box Elder, Utah	1,029,066	8,697	102,907	94,210	257,266	248,569
Kane, Utah	2,072,087	187,316	207,209	19,893	518,022	330,706
Jefferson, Washington	683,684	459,292	68,368	(390,924)	170,921	(288,371)
Okanogan, Washington	1,577,633	215,516	157,763	(57,753)	394,408	178,892
Skamania, Washington	808,195	1,685,460	80,820	(1,604,640)	202,049	(1,483,411)
Stevens, Washington	294,329	66,713	29,433	(37,280)	73,582	6,869
Whatcom, Washington	865,234	464,510	86,523	(377,987)	216,308	(248,202)
Natrona, Wyoming	1,392,801	95,875	139,280	43,405	348,200	252,325
Sublette, Wyoming	2,418,244	56,797	241,824	185,027	604,561	547,764
Total - 50 Counties	70,114,318	12,756,599	7,011,432	(5,745,167)	17,528,579	4,771,980

1/Acreage for which revenue sharing or payments in lieu of tax programs were applicable in 1966, excluding "O&C" lands in Lane County, Oregon.

2/Payments to states and counties for transfer to and use by local units of government, excluding payments to Lane County, Oregon under "O&C" Act; also excluding payments to states which were not passed on to counties.

Source: Based on Case Study Digests.

average of $3.59/acre. Hence a uniform flat amount per acre will benefit the states and counties with lands of low market-type activity and disbenefit most areas with commercial forests and active mineral leasing activities.

ALTERNATIVE NO. 5

Distribution of Revenue from Outer Continental Shelf Mineral Receipts

1. Introduction

The proposed alternative is conceived of as a method for sharing of the revenues presently accruing to the Treasury from leases and royalties on Outer Continental Shelf lands. It proposes a distribution which would benefit (a) the states designated as OCS states and (b) all the states.

This proposal relies upon the following concepts:

A. Whereas, presently none of the OCS fund is being distributed to any state, it is proposed that the entire Federal receipts be distributed to the 50 states on two succinct bases. First, the OCS states are to receive 37-1/2% of the moneys collected from OCS areas "facing" the boundaries of their states, viz. Louisiana, for example, would receive 37-1/2% of the collections from lands off its shores. Second, the then remaining 62-1/2% of the Federal collections would be divided among all the states in proportion to the population in each state to the total United States population.

B. Sharing of the 37-1/2% by the OCS states is expected to compensate these states for burdens imposed upon them by virtue of the offshore activities such as the use of public facilities, roads, bridges, etc. by persons engaged in offshore mineral extraction but for which no direct revenues are accruing to these states. It is suggested that the distribution of the Federal receipts to the OCS states would be comparable to the sharing of revenues from fast lands as under present laws. Specifically, the rate of distribution is comparable to that under the Mineral Leasing Act, 30 U.S.C. § 191 (1964).

C. Sharing of 62-1/2% of the Federal receipts among the states on a population basis would provide a presently non-available source of revenue to which all the states are entitled by virtue of heritage.

2. Methods and Features

The alternative discussed herein is intended to operate in the following manner:

A. The revenues accruing to the Treasury from leases and royalties on Outer Continental Shelf lands would be placed in the special fund of the

Treasury for distribution to the states in accordance with the formula described herein.

B. The distribution to be performed by one disbursing agency, such as the Treasury, would be made annually with semiannual or quarterly installments based on the amounts actually collected in the period.

C. Acceptance of this alternative is expected to result in withdrawal or litigation between Louisiana et al vs. United States. Pursuant to such litigation certain of the collections were placed in an escrow account. The proposal herein is not intended to have retroactive validity and it would be expected that Federal receipts from the OCS, including those escrowed, would be freed of all liens and remain the undisputed property of the United States.

D. Federal receipts from the OCS lands have risen sharply as portrayed in Table No. ALT-5a. During the 10-year period 1957-1966, total receipts not subject to litigation have exceeded $1.1 billion. Receipts in 1966 not subject to limitation were 5.7 times the 1957 receipts not subject to litigation. From among the five OCS states[1/], the receipts from the lands facing Louisiana have accounted for almost $211 million and the 1966 receipts were over 135 times the amount collected in 1957. If this proposal had been enacted some time in the past, the distribution to states would have increased very substantially during this 10-year period though they would have varied considerably from year to year.

3. Advantages of the Alternative

A. The system herein proposed is not a substitute for or an amendment to any existing system. Consequently, any payment to states hereunder represent a net increase in state receipts.

B. Because the proposal is for sharing of Federal receipts it does not require any appropriations from the General Fund, and states would benefit from any increased economic activity in the OCS just as they would obtain reduced revenues in case of any decrease in economic activities in the OCS.

C. Because the OCS states would benefit directly from any increase in economic activities on the OCS lands facing their states, this proposal provides incentives for these states to facilitate access to the OCS lands facing their states and generally to utilize some of their resources for any improvements in or relating to the extraction of minerals from the OCS.

1/ Louisiana, Texas, California, Oregon and Washington (Florida is also an OCS state, however, no revenues accrued to 1966 from the OCS facing it.)

TABLE NO. ALT-5a

FEDERAL RECEIPTS UNDER OUTER CONTINENTAL SHELF LANDS ACT OF 1953[1] DURING 1957-1966
(In Dollars and Index Numbers)

	Cumulative Receipts			Annual Federal Receipts, and Origin of Receipts not in Escrow							
Year	Total Receipts	Amount [2] in Escrow	Amount not Subject to Litigation	Total Annual Receipts	Amount put[2] in Escrow	Total	Louisiana	Texas	California	Oregon	Washington
1957	308,034,490	107,141,433	200,893,057	13,178,593	10,969,890	2,208,703	1,557,973	650,730	0	0	0
1958	321,213,083	119,349,929	201,863,154	15,669,347	12,208,496	3,460,851	3,180,201	280,650	0	0	0
1959	345,043,408	139,768,050	205,275,358	23,830,325	20,418,121	3,412,204	3,183,394	228,810	0	0	0
1960	746,765,594	312,033,417	434,732,177	401,722,186	172,265,367	229,456,819	200,050,703	29,406,116	0	0	0
1961	797,833,156	355,796,292	442,036,864	51,067,562	43,762,875	7,304,687	6,609,077	695,610	0	0	0
1962	1,308,031,595	854,382,580	453,649,015	510,198,439	498,586,288	11,612,151	10,843,647	631,384	137,120	0	0
1963	1,445,305,576	624,842,114	820,463,462	137,273,981	(229,540,466)	366,814,447	352,103,463	964,559	13,746,425	0	0
1964	1,597,701,530	760,746,658	836,954,872	152,395,954	135,904,544	16,491,410	15,136,655	415,917	938,838	0	0
1965	1,740,203,532	849,778,757	890,424,775	142,502,002	89,032,099	53,469,903	15,050,342	462,490	680,758	29,045,074	8,231,189
1966	1,948,968,376	810,226,384	1,138,741,992	208,764,844	(39,552,373)	248,317,217	210,982,504	35,033,473	558,678	1,276,302	466,260
				Index (1957, or earliest year = 100)							
1957	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00			
1958	104.28	111.39	100.48	118.90	111.29	156.69	204.12	43.13			
1959	112.01	130.45	102.18	180.83	186.13	154.49	204.33	35.16			
1960	242.43	291.24	216.40	3,048.29	1,570.35	10,388.76	12,840.45	4,518.94			
1961	259.01	332.08	220.04	387.50	398.94	330.72	424.21	106.90			
1962	424.64	797.43	225.82	3,871.42	4,545.04	525.75	696.01	97.03	100.00		
1963	469.20	583.19	408.41	1,041.64	(N.C.)	16,607.69	22,600.10	148.23	10,025.10		
1964	518.68	710.04	416.62	1,156.39	1,238.89	746.66	971.56	63.92	684.68		
1965	564.94	793.14	443.23	1,081.31	811.60	2,420.87	966.02	71.07	496.46	100.00	100.00
1966	632.71	756.22	566.84	1,584.12	(N.C.)	11,242.67	13,542.12	5,383.72	407.43	4.39	5.66

N.C. = not calculable

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[1] 43 U S.C. section 1331 et al.

[2] Revenues placed in escrow receipt accounts pending decision of disposition including the decision of the United States Supreme Court, in the case of the United States vs. Louisiana et al.

Source: Department of Interior: Outer Continental Shelf Receipts, Fiscal Year 1955 to 1967, and Special Tabulation on General Fund Collections by State, provided by Bureau of Land Management, Washington,D.C., 1967.

D. The formula for distribution though it favors the OCS states, since they would receive 37-1/2% of all collections, is also considerate of all states in that it provides for the distribution of the remaining 62-1/2% on a population basis. The population basis assures that each citizen obtains a proportionate share in the national heritage, i.e. the valuable minerals on the public domain.

4. Disadvantages of the Alternative

A. This proposal requires the distribution of funds which presently accrue to the Treasury and which would no longer be available for general purposes of the Federal government. Hence, any amount distributed to the states would be a net reduction in Federal receipts.

B. The distribution of 37-1/2% to OCS states and 62-1/2% to all states is arbitrary. It does not reflect specific needs of either of these sets of states. In the absence of documented determinations of specific financial burdens incurred by the OCS states as a result of the activities on OCS lands facing these states, there is no apparent justification for the distribution of a larger share of the revenues to these states as compared with all other states.

5. Test of This Alternative Applied to 1966

A. As shown in Table No. ALT-5a the total 1966 receipts, including almost $40 million which were removed from escrowed funds in that year, were distributed in accordance with the proposed formula. Table No. ALT-5b contains the results of the appropriate calculations. It shows that of the total amount distributed, $248 million, the OCS states would receive about $128 million or 51.6% of the total distributed. This is due to the fact that over $93 million would be distributed to five OCS states under the 37-1/2% portion of the formula and an additional $35 million would be distributed to six OCS states on the basis of the population in these states which comprise 22.6% of the total population base.

B. The remaining states would share the balance of about $120 million with the smallest share going to Alaska and the largest to New York.

TABLE NO. ALT-5b

Page 1 of 2

IMPACT OF DISTRIBUTION OF REVENUES FROM OUTER CONTINENTAL SHELF IN ACCORDANCE WITH PROPOSAL EMBODIED IN S. 1826 (90TH CONGRESS) FOR 1966[1]

		Distribution According to Formula Proposed			
			62-1/2 % Among All States by Population		
States	Federal Receipts ($) (1)	37-1/2 % Among OCS States ($) (2)	% U.S. Pop.[2] (%) (3)	Amount ($) (4)	Total Distribution Among States ($) (5)
Outer Continental Shelf States					
Revenues Collected[3]	248,317,217	93,118,956	100.00	155,198,261	248,317,217
California	558,678	209,504	9.63	14,945,590	15,155,094
Florida	0	0	3.02	4,686,987	4,686,987
Louisiana	210,982,504	79,118,439	1.85	2,871,168	81,989,607
Oregon	1,276,302	478,613	1.01	1,567,502	2,046,115
Texas	35,033,473	13,137,552	5.51	8,551,424	21,688,976
Washington	466,260	174,848	1.56	2,421,093	2,595,941
Other States					
Alabama			1.80	2,793,569	2,793,569
Alaska			0.14	217,278	217,278
Arizona			0.82	1,272,626	1,272,626
Arkansas			1.00	1,551,983	1,551,983
Colorado			1.00	1,551,983	1,551,983
Connecticut			1.47	2,281,414	2,281,414
Delaware			0.26	403,515	403,515
Georgia			2.28	3,538,520	3,538,520
Hawaii			0.37	574,234	574,234
Idaho			0.36	558,714	558,714
Illinois			5.53	8,582,464	8,582,464
Indiana			2.54	3,942,036	3,942,036
Iowa			1.41	2,188,295	2,188,295
Kansas			1.17	1,815,820	1,815,820
Kentucky			1.63	2,529,732	2,529,732
Maine			0.50	775,991	775,991
Maryland			1.85	2,871,168	2,871,168
Massachusetts			2.77	4,298,992	4,298,992
Michigan			4.34	6,735,605	6,735,605
Minnesota			1.83	2,840,128	2,840,128
Mississippi			1.20	1,862,379	1,862,379
Missouri			2.34	3,631,639	3,631,639
Montana			0.36	558,714	558,714
Nebraska			0.74	1,148,467	1,148,467
Nevada			0.22	341,436	341,436
New Hampshire			0.35	543,194	543,194

TABLE NO. ALT-5b (Continued) Page 2 of 2

IMPACT OF DISTRIBUTION OF REVENUES FROM OUTER CONTINENTAL SHELF IN ACCORDANCE WITH PROPOSAL EMBODIED IN S. 1826 (90TH CONGRESS) FOR 1966[1]

		Distribution According to Formula Proposed			
			62-1/2 % Among All States by Population		
States	Federal Receipts ($) (1)	37-1/2 % Among OCS States ($) (2)	% U.S. Pop.[2] (%) (3)	Amount ($) (4)	Total Distribution Among States ($) (5)
Other States (Continued)					
New Jersey			3.54	5,494,018	5,494,018
New Mexico			0.51	791,511	791,511
New York			9.32	14,464,478	14,464,478
North Carolina			2.55	3,957,556	3,957,556
North Dakota			0.33	512,154	512,154
Ohio			5.31	8,241,028	8,241,028
Oklahoma			1.27	1,971,018	1,971,018
Pennsylvania			5.94	9,218,777	9,218,777
Rhode Island			0.46	713,912	713,912
South Carolina			1.33	2,064,137	2,064,137
South Dakota			0.35	543,194	543,194
Tennessee			1.98	3,072,926	3,072,926
Utah			0.52	807,031	807,031
Vermont			0.21	325,916	325,916
Virginia			2.29	3,554,040	3,554,040
West Virginia			0.93	1,443,344	1,443,344
Wisconsin			2.14	3,321,243	3,321,243
Wyoming			0.16	248,317	248,317

1/ Introduced by Senator Russell Long on May 23, 1967.

2/ Excluding District of Columbia.

3/ 1966 revenues were composed of $208,764,844 receipts plus $39,552,373 removed from escrow receipt account. Disposition of the escrow accounts are pending the decision of the United States Supreme Court in the case of the United States vs. Louisiana et al.

Source: Special Tabulation on General Fund Collections by State, provided by Bureau of Land Management, Department of the Interior, Washington, D.C., 1967; and Current Population Reports, Series P-25, No. 373, 1967, Department of Commerce, Bureau of the Census.

ALTERNATIVE NO. 6

Revenue Sharing by All States, Distribution on the Basis of the Land and Water Conservation Fund Formula

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1. Introduction

The proposed alternative is conceived of as a substitute for all existing revenue sharing formulas and it envisages the distribution of gross revenues from the market value type activities on the public lands to all states in accordance with the Land and Water Conservation Fund activities.

This system relies upon the following concepts:

A. The Land and Water Conservation Fund Act of 1965 (78 Stat. 897) provides a formula for distribution of appropriated funds to all states, the District of Columbia and the U. S. Territories which provides equal treatment of the 50 states for a part of the appropriated funds and for the balance it reflects specific needs or eligibilities of the states and territories. It is reasoned that a like treatment should be accorded the revenues emanating from the sale of market value goods, e.g. timber, forage, minerals. etc., and surface users of the public lands as defined in Section 10 of Public Law PL 88-606.

B. The Land and Water Conservation Fund formula reflects the right of all states to participate in economic benefits resulting from the national heritage and, in that sense, it is contrary to the present revenue sharing system which permits participation only by those states in which are located the lands from which the revenues originate.

C. Contrary to the Land and Water Conservation Fund formula, as defined in the 1965 legislation, only the 50 states would participate in the distribution of the revenues from the Section 10 lands.

2. Methods and Features

The alternative discussed herein is intended to operate in the following manner:

A. All gross revenues accruing from the economic activities upon public lands, specifically the sale of market value goods and the commercial use of surface values, but excluding any revenues derived from recreational uses other than those for which special use fees are currently shared by the states and local governments, would be placed in a special account of the Land and Water Conservation Fund. Included in these collections would be those currently made by the Forest Service under the Knutson-Vandenberg Act, commonly called K-V Fund collections, and the annual appropriations for national forest timber road construction.

B. Though it is not clear whether the funds which would be distributed to the states in accordance with this proposal would be earmarked for the same purpose for which grants from the Land and Water Conservation Fund are designated, such might be assumed to be the case because the conditions attending to payments to states from the Fund require that the money be used to finance 50% of the cost of preparing and maintaining outdoor recreation plans, acquisition of land and water areas, and development of areas for outdoor recreation purposes.

C. The formula for distribution applicable to this Fund is composed of the following elements:

1. 40% of the Fund -- equal proration to all 50 states;
2. 40% of the Fund -- proration to 50 states on basis of population (the existing formula of the Land and Water Conservation Fund includes 55 "states," i.e. the D of C, Guam, Puerto Rico, American Samoa, and the Virgin Islands);
3. 10% of the Fund prorated to the 50 states on basis of Federal resources and programs (carrying capacity of Federal acreage and residual state acreage);
4. 5% of the Fund reserved to meet unforeseen needs of states;
5. 5% of the Fund -- proration based on state reported figures for out-of-state visitor use.

3. Advantages of the Alternative

A. It provides for participation by all states in revenues which, under the current systems, accrue only to those states in which the revenues originate.

B. Payments to any one state would increase over time as the economic values of the total public land resource increased and the demand for services and goods from the public lands increased.

C. Besides providing to each state in the Union an equal share, the distribution formula recognizes the variance in state populations, special state needs and state expenditures in the accommodation of out-of-state visitors.

D. Application of the distribution formula is relatively simple and poses no new burdens upon states and Federal land management agencies. States, in order to obtain grants from the Land and Water Conservation Fund, must prepare the data needed for the distribution of shared revenues and, therefore, knowledge as to the percentage of the total due each state is available from the annual apportioning of the Land and Water Conservation Fund. The Federal land management agencies would merely have to deposit the moneys collected by them in the special account of the Land and Water Conservation Fund and all their present activities needed for the distribution of shared revenues could be eliminated.

E. Payments to states would be relatively stable, their annual amounts reasonably predictable and, therefore, the inclusion of shared revenues in state budgets facilitated. Nationally, receipts from economic activities on Federal lands tend not to vary greatly from year to year, except for revenues accruing from the Outer Continental Shelf, which are excluded from the revenues to be shared under this proposal, and, likewise, no large fluctuations in the apportion components for 80% of the shared revenues could be expected. For 40%, e.g. the equal share to all states is fixed, and for another 40%, e.g. the distribution based on population, the fluctuation in each state's share from year to year is insignificant.

4. Disadvantages of the Alternative

A. The rationale of this proposal is totally unresponsive to states' and local governments' financial needs arising from the presence of Federally owned lands in their jurisdictions. It does not attempt to compensate for the loss of property taxes which might be obtained by the states and local governments if the lands were in private ownership.

B. From the point of view of local governments, the payments to states for direct or indirect distribution to local governments represent an interim step which may not satisfy their preferences for direct compensation for the tax immunity of Federal lands, irrespective of the fact that such compensation is likely to fall short of their tax revenue losses.

C. The distribution of nationally accrued revenues to states based on a formula which gives no advantage to a state with much Federal land, as opposed to a state with no or little Federal land, deprives the states of any incentive to allocate any state resources to the betterment of or the facilitation of increased economic activities upon Federal land.

D. The distribution formula as at present is responsive to needs relating to outdoor recreation; 20% of the allocation to states specifically relates to outdoor recreational activities. These are not germane to the traditionally accepted purposes of revenue sharing (as well as payments in lieu of taxes) for public lands. The latter are meant to compensate states and local governments for the cost of providing public services caused by the presence of tax immune Federal lands.

E. Assuming that at least 50% or more of gross revenues would be distributed to the 50 states, total cost to the Federal government would be greater than under current revenue sharing programs because shared revenues, on average, amount to much less than 50% of the gross. Despite the increased cost to the Federal government, the most intense public land states are likely to obtain substantially smaller payments than they have under the existing revenue sharing programs.

5. Test of This Alternative Applied to 1966

This Land and Water Conservation Fund formula alternative was tested using actual 1966 gross revenues and appropriations for national forest timber road construction, the distribution formula as computed from the Department of the Interior Certificate of Apportionment for fiscal 1968, and distributing on that basis 50% of the gross revenues. The results of these calculations are contained in Table No. ALT-6.

A. Eight states would receive lesser shared revenues despite the aggregate increase of almost $95 million to be shared by all states. The aggregate reduction in payments to these eight states would amount to $52.3 million. Of this amount the three public land states, Oregon, Wyoming and New Mexico, would bear almost $40 million. This results because of the relatively small populations in these states as compared with their large and/or productive Federal land holdings which entitle them to the substantial revenue sharing payments shown in Column 1 of Table No. ALT-6.

B. The remaining 42 states would share an aggregate increase in annual revenues of over $147 million. The State of New York, the second largest in population, would receive the greatest increase, almost $11.9 million, which is due to its large population on the one hand and the very small current RS payments of under $15,000. Other large beneficiaries are Illinois, Ohio, Florida, Missouri and Georgia, all states with relatively large populations and small payments under the current revenue sharing system.

TABLE NO. ALT-6

IMPACT ON THE STATES IN 1966 IF 50 PERCENT OF GROSS REVENUES[1] FROM SECTION 10 LANDS HAD BEEN DISTRIBUTED ON THE BASIS OF THE LAND AND WATER CONSERVATION FUND FORMULA

(In Dollars)

State	Current RS Accrued Payments Applicable Programs (1)	Land and Water Conservation Fund Formula % by State[2] (2)	50% of Gross Revenues Distributed (3)	Increase (or Decrease) Over Current Payments (4)
U.S. Total[3]	92,103,082	100.00	186,874,770	94,771,688
Alabama	248,980	1.74	3,251,621	3,002,641
Alaska	8,031,609	0.97	1,812,685	(6,218,924)
Arizona	675,329	1.36	2,541,497	1,866,168
Arkansas	1,008,324	1.31	2,448,059	1,439,735
California	9,506,462	5.62	10,502,362	995,900
Colorado	3,538,443	1.45	2,709,684	(828,759)
Connecticut	0	1.74	3,251,621	3,251,621
Delaware	15,187	0.99	1,850,060	1,834,873
Florida	261,623	2.47	4,615,807	4,354,184
Georgia	381,260	1.87	3,494,558	3,113,298
Hawaii	0	1.20	2,242,497	2,242,497
Idaho	1,481,864	1.06	1,980,873	499,009
Illinois	96,126	4.04	7,549,741	7,453,615
Indiana	9,615	2.29	4,279,432	4,269,817
Iowa	11,092	1.84	3,438,496	3,427,404
Kansas	152,577	1.54	2,877,871	2,725,294
Kentucky	104,537	1.90	3,550,621	3,446,084
Louisiana	803,956	1.87	3,494,558	2,690,602
Maine	6,540	1.20	2,242,497	2,235,957
Maryland	21,797	2.24	4,185,995	4,164,198
Massachusetts	4,285	2.41	4,503,682	4,499,397
Michigan	226,316	3.51	6,559,304	6,332,988
Minnesota	167,391	1.93	3,606,683	3,439,292
Mississippi	1,017,448	1.35	2,522,809	1,505,361
Missouri	159,560	2.38	4,447,620	4,288,060
Montana	3,406,593	1.22	2,279,872	(1,126,721)
Nebraska	60,742	1.37	2,560,184	2,499,442
Nevada	609,065	1.01	1,887,435	1,278,370
New Hampshire	66,250	1.15	2,149,060	2,082,810
New Jersey	19,747	2.85	5,325,931	5,306,184
New Mexico	11,776,759	1.29	2,410,685	(9,366,074)
New York	14,890	6.36	11,885,235	11,870,345
North Carolina	284,097	1.94	3,625,371	3,341,274
North Dakota	266,103	1.11	2,074,310	1,808,207
Ohio	33,367	3.67	6,858,304	6,824,937
Oklahoma	274,409	1.52	2,840,497	2,566,088
Oregon	19,909,847	1.48	2,765,747	(17,144,100)
Pennsylvania	241,027	4.19	7,830,053	7,589,026

TABLE NO. ALT-6 (Continued) Page 2 of 2

IMPACT ON THE STATES IN 1966 IF 50 PERCENT OF GROSS REVENUES[1] FROM SECTION 10 LANDS HAD BEEN DISTRIBUTED ON THE BASIS OF THE LAND AND WATER CONSERVATION FUND FORMULA

(In Dollars)

State	Current RS Accrued Payments Applicable Programs (1)	Land and Water Conservation Fund Formula % by State[2] (2)	50% of Gross Revenues Distributed (3)	Increase (or Decrease) Over Current Payments (4)
Rhode Island	0	1.18	2,205,122	2,205,122
South Carolina	641,614	1.49	2,784,434	2,142,820
South Dakota	175,095	1.30	2,429,372	2,254,277
Tennessee	95,717	1.76	3,288,996	3,193,279
Texas	683,249	4.08	7,624,491	6,941,242
Utah	3,783,409	1.20	2,242,497	(1,540,912)
Vermont	122,294	1.30	2,429,372	2,307,078
Virginia	113,905	1.90	3,550,621	3,436,716
Washington	6,192,318	1.71	3,195,559	(2,996,759)
West Virginia	175,432	1.45	2,709,684	2,534,252
Wisconsin	157,608	2.12	3,961,745	3,804,137
Wyoming	15,069,224	1.07	1,999,560	(13,069,664)

1/ United States total is based on gross revenues of $373,749,541 from applicable RS programs, K-V collections, and national forest timber road construction. (See Table ALT-2a). Total distributed by state according to percentages shown in Col. 2.

2/ Based on total excluding apportionments to the District of Columbia, Puerto Rico, Virgin Islands, Guam and American Samoa.

3/ Excluding the District of Columbia.

Sources: Col. 1: Based on data provided by Federal agencies administering programs. PILT programs excluded.

Col. 2: Based on Fiscal Year 1966 Certificate of Apportionment from the Land and Water Conservation Fund to the States, Puerto Rico, Virgin Islands, Guam, American Samoa, and the District of Columbia, U. S. Department of the Interior.

ALTERNATIVE NO. 7

Revenue Sharing on Forest Service Lands Shall Be Calculated on Basis of Full Timber Value or As Presently Plus Payment of Ten Cents Per Acre

1. Introduction

The proposed alternative is conceived of as an amendment to the present revenue sharing provisions applicable to the sale of timber from national Forest Service lands. It would apply to all national forests but excludes national grasslands and land utilization projects under Forest Service jurisdiction. It also excludes Oregon and California railroad grant lands.

This system relies upon the following concepts:

A. It is the practice of the Forest Service, in calculating minimum acceptable prices for timber sold from forests in the national forest system, to calculate the cost of reforestation and timber harvest road construction and reconstruction. These costs are deducted from the purchase price so that they can be met by the timber purchaser through a separate payment for the cost of reforestation and by the purchasers' payments for the harvest road construction. The result is that the timber sale revenues subject to revenue sharing, with the state and local governments in whose jurisdictions the lands are located, are reduced to levels which are commonly called "net revenues." This proposal suggests that states and counties should share the gross revenues, i.e. the full timber value before deduction of the stated estimated costs or, alternatively, that in lieu of the difference between the net and the gross values, they should be paid an additional 10¢ per acre.

B. The 10¢ per acre option is suggested because the estimates for the costs of reforestation and timber harvest road construction are not necessarily related to the market value of the timber harvested at any one time and in any one forest, thereby creating large fluctuations which are also subject to eventual differences between estimated costs and actual costs.

C. States and local governments eligible for sharing revenues from national forest timber sales should have the option to choose between sharing gross revenues and net revenues plus 10¢ per acre.

2. Methods and Features

The alternative discussed herein is intended to operate in the following manner:

A. The procedures developed by the Forest Service in calculating stumpage value, within the framework of the act of May 23, 1908, 35 Stat. 251,260 (1908) as amended and the various regulations pertaining thereto, would have to include a procedure for informing eligible states and local governments of the amounts estimated for the cost of reforestation, e.g. the amount the timber purchaser was required to deposit in the K-V Fund and the amount for harvest road construction for which the timber purchaser was held responsible. These amounts would have to be reported for each sale and each sale would also have to be identified in terms of the applicable land area and its location.

B. Pursuant to the issuance of the information described under A. above, states or local governments to whose jurisdictions the reported sale applies would make a selection as between the two options available, e.g. whether they wish to share the gross amount or the net amount plus 10¢ per acre.

C. In all other respects the system proposed herein would operate in a manner similar to that applicable to the present revenue sharing provisions for timber sales from national forests.

D. Irrespective of the magnitude of annual sales in any national forest and within any particular local jurisdiction, state-local governments would be entitled to receive minimum annual payments equal to 25% of the net revenues from the sale of timber plus 10¢ per acre of national forest lands within their jurisdictions.

3. Advantages of the Alternative

A. The proposed alternative assures all states and local governments of larger annual payments upon the same level of timber sales. Because where so-called "reductions from net" are made, sharing of these reduced revenues would be available. Where no reductions from net are made, eligible governments may elect to obtain 10¢ per acre in addition to the currently available revenue sharing payments.

B. All states and local governments, within whose jurisdictions there are national forests, would be assured of a minimum annual payment equal to 10¢ per acre of national forest lands.

C. Larger payments to state-local governments would result without an increase in timber sale and harvesting activities and, consequently, sustained yield policies, as developed by the Forest Service, would not be affected.

D. The minimum payment provided of 10¢ per acre would remove pressures for timber sales upon the Forest Service in those counties where current revenue sharing payments are at lesser levels and, likewise, the increase in payments available under either of the two options would also reduce pressures for additional state and local government revenues.

E. The procedural changes needed in the present system to implement this alternative are simple; they would not require any substantial changes in the existing administrative machinery and rapid implementation is feasible.

4. Disadvantages of the Alternative

A. The system proposed herein will cause additional costs to the Federal government. It is an alternative requiring additional payments rather than the substitution of present payments.

B. Sharing of revenues from timber sales which represent no more than the estimated costs for reforestation and harvest road construction is illogical in the sense that these are moneys which have not been earned but, rather, moneys paid over to the Federal government or retained by the timber purchaser for financing of specific expenditures without which the continued availability of the timber resource would be in jeopardy and, similarly, without which timber cannot be harvested. It is for these reasons that the difference between net and gross revenues are not presently available for sharing and, except for the need of state-local governments for increased revenues, there is no justification for making such moneys available for revenue sharing.

C. From the Federal government's point of view, the availability of the option of sharing gross revenues or net revenues plus 10¢ per acre represents an opportunity for state-local governments to obtain larger payments even in cases where gross revenues are being shared, e.g. sales for which neither K-V Fund collections nor cost of harvest road construction were deducted from the stumpage value. If it were the objective of the Forest Service to minimize costs to the Federal government, the Forest Service would be motivated to calculate large deductions from gross thereby eliminating the implicit advantage in selecting either the gross or the net plus 10¢ as the basis for shared revenues.

5. Test of This Alternative Applied to 1966

This revenue sharing alternative was tested using actual 1966 national forest acreage in each state, the accrued payments to states, the reported "reductions" in shared revenues, and applying the two options described herein to these figures. Table No. ALT-7 contains the results of the relevant calculations.

A. Column 5 of Table No. ALT-7 shows that $61.7 million would be shared by all states if all elected to share the gross payments. This is compared with the figures in Column 2 which total $42 million or a net increase of $19.7 million, or 47% more than was accrued under the current system.

B. Similarly, if all states were to receive the accrued payments plus 10¢ per acre, as shown in Column 7, $60.2 million would be disbursed for a net increase of $18.2 million or 43%.

C. If each state elected to share the larger of gross revenues or net revenues plus 10¢, the amount which would be distributed in the aggregate would be $70.4 million or an increase of $28.4 million over the accrued payments, a rate of increase of over 67%.

D. The per acre payments under each of the three different methods within ranges as noted below and by states, would be as follows:

(In Cents)	Number of States within Stated Range		
Payments Per Acre	Accrued Payments	Sharing of Gross	Sharing of Net Plus 10¢/Acre
0 - 25	27	24	23
26 - 50	5	5	7
51 - 75	4	6	6
76 -100	2	1	1
More than 100	2	4	3
Total	40	40	40

Notably, within these ranges no large shifts would occur except for a small general upward shift. This, of course, is obvious since the proposed system represents a net increase in payments to each and all states.

E. Under the gross revenue sharing option the states receiving the largest payments would be Oregon $26.8 million, California $10.5 million, and Washington $8.9 million. These same three states also received the largest payments under the current system. However, the states which would receive the largest per acre payments would be Oregon $1.80, South Carolina $1.28 and Texas $1.08. These three states also received the largest per acre payments under the current system. Applying the option of sharing net payment plus 10¢ per acre, the same three states would continue to receive the largest payment per acre of forests in their jurisdictions.

TABLE NO. ALT-7

Page 1 of 2

EFFECTS OF SHARING REDUCTIONS FROM TIMBER SALE PROCEEDS FOR KNUTSON VANDENBERG COLLECTIONS, TIMBER HARVEST ROAD CONSTRUCTION OR NET RECEIPTS PLUS 10 CENTS PER ACRE, 1966

State	National Forest Acreage1/ (000) (1)	Accrued Payments to States, Actual ($000) (2)	"Reductions" in Shared Revenue 25% of K-V Collections2/ ($000) (3)	"Reductions" in Shared Revenue 25% of Road Constr. by Timber Purchasers ($000) (4)	Gross Payments (Col. 2+3+4) ($000) (5)	10¢/Acre Option (Col. 1x10¢) ($000) (6)	Net Payments, 10¢/Acre Option (Col. 2+6) ($000) (7)	Payment Per Acre: Accrued Payments (Col. 2÷1) (cents) (8)	Payment Per Acre: Gross Payments (Col. 5÷1) (cents) (9)	Payment Per Acre: 10¢/Acre (Col. 7÷1) (cents) (10)
Alabama	632	226	144	5	375	63	289	.36	.59	.46
Alaska	20,736	283	24	327	634	2,074	2,357	.01	.03	.11
Arizona	11,422	529	117	100	746	1,142	1,671	.05	.06	.15
Arkansas	2,430	836	183	20	1,039	243	1,079	.34	.43	.44
California	19,971	6,135	981	3,408	10,524	1,997	8,132	.31	.53	.41
Colorado	13,725	220	159	115	494	1,372	1,592	.02	.04	.12
Florida	1,075	233	48	5	286	108	341	.22	.27	.32
Georgia	781	318	35	0	353	78	396	.41	.45	.51
Idaho	20,294	1,234	524	1,060	2,818	2,029	3,263	.06	.14	.16
Illinois	213	23	7	0	30	21	44	.11	.14	.21
Indiana	127	10	4	0	14	13	23	.08	.11	.18
Kentucky	462	101	24	11	136	46	147	.22	.29	.32
Louisiana	592	328	43	34	405	59	387	.55	.68	.65
Maine	50	4	2	0	6	5	9	.08	.12	.18
Massachusetts	2	0	0	0	0	0	0	0	0	0
Michigan	2,588	206	48	0	254	259	465	.08	.10	.18
Minnesota	2,782	1143/	57	0	171	278	392	.04	.06	.14
Mississippi	1,134	968	166	41	1,175	113	1,081	.85	1.04	.95
Missouri	1,366	125	97	0	222	137	262	.09	.16	.19
Montana	16,670	1,164	617	526	2,307	1,667	2,831	.07	.14	.17
Nebraska	245	17	0	0	17	24	41	.07	.07	.17
Nevada	5,059	43	2	0	45	506	549	.01	.01	.11
New Hampshire	678	66	6	0	72	68	134	.10	.11	.20
New Mexico	8,875	214	32	6	252	888	1,102	.02	.03	.12
North Carolina	1,124	239	51	0	290	112	351	.21	.26	.31
Ohio	114	9	6	0	15	11	20	.08	.13	.18

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TABLE NO. ALT-7 (Continued)

EFFECTS OF SHARING REDUCTIONS FROM TIMBER SALE PROCEEDS FOR KNUTSON VANDENBERG COLLECTIONS, TIMBER HARVEST ROAD CONSTRUCTION OR NET RECEIPTS PLUS 10 CENTS PER ACRE, 1966

State	National Forest Acreage[1/] (000) (1)	Accrued Payments to States, Actual ($000) (2)	"Reductions" in Shared Revenue 25% of		Gross Payments (Col. 2+3+4) ($000) (5)	10¢/Acre Option (Col. 1x10¢) ($000) (6)	Net Payments, 10¢/Acre Option (Col. 2+6) ($000) (7)	Payment Per Acre		
			K-V Collections[2/] ($000) (3)	Road Constr. by Timber Purchasers ($000) (4)				Accrued Payments (Col. 2÷1) (cents) (8)	Gross Payments (Col. 5÷1) (cents) (9)	10¢/Acre (Col. 7÷1) (cents) (10)
Oklahoma	238	121	5	0	126	24	145	.51	.53	.61
Oregon	14,867	19,694	1,262	5,843	26,799	1,487	21,181	1.32	1.80	1.42
Pennsylvania	474	237	46	45	328	47	284	.50	.69	.60
South Carolina	588	625	95	32	752	59	684	1.06	1.28	1.16
South Dakota	1,121	63	33	10	106	112	175	.06	.09	.16
Tennessee	600	83	28	0	111	60	143	.14	.18	.24
Texas	658	636	73	5	714	66	702	.97	1.08	1.07
Utah	7,972	132	40	25	197	797	929	.02	.02	.12
Vermont	233	121	20	5	146	23	144	.52	.63	.62
Virginia	1,473	105	26	5	136	147	252	.07	.09	.17
Washington	9,691	6,131	524	2,279	8,934	969	7,100	.63	.92	.73
West Virginia	909	175	34	20	229	91	266	.19	.25	.29
Wisconsin	1,470	140	28	0	168	147	287	.10	.11	.20
Wyoming	8,570	134	41	82	257	857	991	.02	.03	.12
Total	182,011	42,042	5,632	14,009	61,679	18,198	60,241	.23	.34	.33

1/ Excludes national grasslands and land utilization projects under Forest Service jurisdiction. Also excludes 492,399 acres of Oregon & California railroad grant lands on which payments are distributed by Bureau of Land Management.

2/ Based on amounts reported as allocated to the states which totaled $45,901 less than the reported national total of $22,574,790.

3/ Excludes Superior National Forest.

Sources: Col. 1 - Table 1, Report of the Chief of the Forest Service, 1966, Department of Agriculture; Col. 2 - Based on payment vouchers of the Forest Service; Col. 3 - Furnished by the Forest Service; Col. 4 - Derived from Table 4, Report of the Chief of the Forest Service, 1966, Department of Agriculture.

ALTERNATIVE NO. 8

Make Revenue Sharing Payments to All States by Population

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1. Introduction

The proposed alternative is conceived of as an amendment to all existing revenue sharing systems applicable to the lands specified by Section 10 of PL 88-606, except the Outer Continental Shelf lands of the United States.

The system relies on the following concepts:

A. The diverse characteristics and contrasting uses of the Federal properties and their varying burdens on local governments preclude a single uniform rule for determining the extent to which Federal properties should contribute to the support of local governments. It moreover appears that for some types of properties payment is desirable, for others payment is inappropriate and, most importantly, it has been suggested that all the citizens of the United States are entitled to participate in the benefits derived from the varying uses of Federal lands.

B. The distribution of shared revenues on any basis other than the proportion of the population in any state to the entire population of the United States would favor certain states and be inequitable to others.

C. So long as the intergovernmental tax immunity doctrine is not done away with, the contention that revenue sharing payments are to be considered as an in lieu tax payment is in fundamental conflict with the existing doctrine and it is therefore rationalized that the distribution of revenues accruing from the economic uses of Federal lands should be based on the same philosophy which provides for one vote for each citizen in the national elections, the concept of proportionate sharing for all citizens.

D. Recognizing the unavoidable costs incurred in management of the Federal land resources, not all of the revenues collected are proposed for distribution; rather, one-half thereof, the other half being retained by the Federal government to defray and finance the costs of Federal land management.

2. Methods and Features

The alternative discussed herein is intended to operate in the following manner:

A. The current land management activities of the various Federal custodial agencies are not to be affected nor are any specific changes in land management practices implicit in this proposal. This proposal affects only the method and level of revenue distribution to states and local governments.

B. A uniform percentage of revenues collected would be shared with state-local governments rather than the varying percentages applicable to the present revenue sharing programs.

C. The formula for distribution is composed of two elements: (1) an annual estimate of the total United States population, excluding the District of Columbia and Territories, and (2) an annual estimate of the population in each of the 50 states. From these the revenue share for each state would be derived by calculating the percentage which the population in each state bears to the population for all states.

D. Due to the uniformity in the level of revenue sharing by all states and the single allocation factor, e.g. population, the disbursement of revenue sharing payments to the states would be handled by a single central disbursing agency rather than the current disbursing procedures requiring the origination of payment vouchers by all land managing agencies.

3. Advantages of the Alternative

A. This proposal implicitly reaffirms the immunity of Federal lands to state-local government taxation and provides for participation by all states in the current economic benefits derived from the public lands.

B. A uniform sharing level and a single distribution determinant greatly simplify the present practices for sharing and disbursing these revenues, especially in those places where the lands from which the revenues were generated are located in more than one state or one county.

C. Because all states would share in total revenues rather than those generated upon lands within their geographic jurisdictions, annual fluctuations in payment levels would be greatly reduced thereby improving the predictability of the amounts to be received by any state for a subsequent year or years, a feature which should be of considerable value to the state-local governmental budgetary process.

4. Disadvantages of the Alternative

A. The payments to states and local governments would bear no relationship to any financial burdens incurred by them on account of public services rendered to or for the benefit of public lands nor would they be equivalent or similar to the tax revenues which would accrue if the lands were in private ownership.

B. There is no logical relationship in terms of costs for providing public services, loss of tax revenues and other considerations between population and land quantity and quality. Hence, the method of distributing revenues accruing from economic activities upon land by a population formula is not germane to the characteristics of the revenue generators, e.g. the varying economic activity upon varying types and quantities of land.

C. The allocation of 50% of gross revenues for distribution to state-local government is arbitrary. It neither assures that the cost of managing the lands would be reasonably borne from the revenues generated from these lands nor does it assure that the maximum amount available after deducting all applicable management costs would be distributed to the states. While a uniform percentage applied to all revenue sharing programs greatly simplifies administrative procedure, it disregards the great variance in land management costs for the different land classes and utilizations.

D. The method proposed herein deprives Federal land management agencies of incentives to obtain greater economic efficiency and it deprives state-local governments of the incentive to allocate any of their resources to the construction and maintenance of facilities and the provision of services which would enhance the market value type economic activities upon public lands.

5. Test of This Alternative Applied to 1966

This alternative was tested using actual 1966 revenues, state population estimates and applying the proposed distribution formula at the level of 50% of gross revenues. Table No. ALT-8 contains the appropriate figures and the results of the indicated calculations.

A. Total revenues which would be distributed to all states would be $94.8 million more than the accrued payments for all states.

B. The application of a population formula would cause considerable shifts in payments to states, primarily those states which are Federal land intense and have highly productive land but relatively small populations. Ten states would be adversely affected as a result of the population formula in contrast with the present method of sharing revenues with the states in which the revenues originated. Hence, in spite of the aggregate increase in shared revenues, the payments to those 10 states would decline by almost $62.9 million (about two-thirds of the accrued payments for all states in 1966).

The eight states which would be most severely affected by this proposal all have two common characteristics: (1) highly productive Federal

TABLE NO. ALT-8

IMPACT ON THE STATES IN 1966 IF 50 PERCENT OF GROSS REVENUES[1] FROM FEDERAL LANDS HAD BEEN DISTRIBUTED TO STATES ON THE BASIS OF POPULATION

(In Dollars)

State	Current RS Accrued Payments Applicable Programs (1)	Population % of Total In States (2)	50% of Gross Revenues Distributed (3)	Increase (or Decrease) Over Current Payments (4)
U.S. Total[2]	92,103,082	100.00	186,874,770	94,771,688
Alabama	248,980	1.80	3,363,746	3,114,766
Alaska	8,031,609	0.14	261,625	(7,769,984)
Arizona	675,329	0.82	1,532,373	857,044
Arkansas	1,008,324	1.00	1,868,748	860,424
California	9,506,462	9.63	17,996,041	8,489,579
Colorado	3,538,443	1.00	1,868,748	(1,669,695)
Connecticut	0	1.47	2,747,059	2,747,059
Delaware	15,187	0.26	485,874	470,687
Florida	261,623	3.02	5,643,618	5,381,995
Georgia	381,260	2.28	4,260,745	3,879,485
Hawaii	0	0.37	691,437	691,437
Idaho	1,481,864	0.36	672,749	(809,115)
Illinois	96,126	5.53	10,334,175	10,238,049
Indiana	9,615	2.54	4,746,619	4,737,004
Iowa	11,092	1.41	2,634,934	2,623,842
Kansas	152,577	1.17	2,186,435	2,033,858
Kentucky	104,537	1.63	3,046,059	2,941,522
Louisiana	803,956	1.85	3,457,183	2,653,227
Maine	6,540	0.50	934,374	927,834
Maryland	21,797	1.85	3,457,183	3,435,386
Massachusetts	4,285	2.77	5,176,431	5,172,146
Michigan	226,316	4.34	8,110,365	7,884,049
Minnesota	167,391	1.83	3,419,808	3,252,417
Mississippi	1,017,448	1.20	2,242,497	1,225,049
Missouri	159,560	2.34	4,372,870	4,213,310
Montana	3,406,593	0.36	672,749	(2,733,844)
Nebraska	60,742	0.74	1,382,873	1,322,131
Nevada	609,065	0.22	411,124	(197,941)
New Hampshire	66,250	0.35	654,062	587,812
New Jersey	19,747	3.54	6,615,367	6,595,620
New Mexico	11,776,759	0.51	953,061	(10,823,698)
New York	14,890	9.32	17,416,730	17,401,840
North Carolina	284,097	2.55	4,765,307	4,481,210
North Dakota	266,103	0.33	616,687	350,584
Ohio	33,367	5.31	9,923,050	9,889,683
Oklahoma	274,409	1.27	2,373,310	2,098,901
Oregon	19,909,847	1.01	1,887,435	(18,022,412)
Pennsylvania	241,027	5.94	11,100,361	10,859,334

TABLE NO. ALT-8 (Continued) Page 2 of 2

IMPACT ON THE STATES IN 1966 IF 50 PERCENT OF GROSS REVENUES[1] FROM FEDERAL LANDS HAD BEEN DISTRIBUTED TO STATES ON THE BASIS OF POPULATION

(In Dollars)

State	Current RS Accrued Payments Applicable Programs (1)	Population % of Total In States (2)	50% of Gross Revenues Distributed (3)	Increase (or Decrease) Over Current Payments (4)
Rhode Island	0	0.46	859,624	859,624
South Carolina	641,614	1.33	2,485,434	1,843,820
South Dakota	175,095	0.35	654,062	478,967
Tennessee	95,717	1.98	3,700,120	3,604,403
Texas	683,249	5.51	10,296,800	9,613,551
Utah	3,783,409	0.52	971,748	(2,811,661)
Vermont	122,294	0.21	392,437	270,143
Virginia	113,905	2.29	4,279,432	4,165,527
Washington	6,192,318	1.56	2,915,246	(3,277,072)
West Virginia	175,432	0.93	1,737,935	1,562,503
Wisconsin	157,608	2.14	3,999,120	3,841,512
Wyoming	15,069,224	0.16	299,000	(14,770,224)

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[1] United States total is based on gross revenues of $373,749,541 from applicable RS programs, K-V collections, and national forest timber road construction. (See Table ALT-2a). Total distributed by state according to percentages shown in Col. 2.

[2] Excluding the District of Columbia.

Sources: Col. 1: Based on data provided by agencies with revenue sharing programs.

Col. 2: Based on Current Population Reports, Series P-25, No. 373, 1967, U. S. Bureau of the Census.

lands with either mineral leases or timber sales or both and (2) small populations. The following listing contains a ranking of these eight states, in order of their size of revenue loss and also showing the principal RS program and the amount from which 1966 payments originated:

State	Reduction Over Payment	1966 Payment Total	1966 Payment Major Program and Amount[1]	
	(In Millions of Dollars)			
Oregon	18.0	19.9	NFF	19.7
Wyoming	14.8	15.0	ML	14.8
New Mexico	10.8	11.8	ML	11.5
Alaska	7.7	8.0	ML	7.7
Washington	3.3	6.2	NFF	6.1
Utah	2.8	3.8	ML	3.6
Montana	2.7	3.4	ML - NFF	2.1 - 1.2
Colorado	1.7	3.4	ML	3.3
Total 8 States	61.8	71.5		70.0

1/ ML = Mineral Leasing, NFF = National Forest Fund.

The above tabulation also shows that:

(1) In these eight states one or two programs account for 98% of the payments accured in 1966. (2) The reduction in payments of $61.8 equals 86% of the 1966 accrued payments, with Wyoming losing 99%, Alaska 96%, New Mexico 91%, Oregon 90% of the 1966 payments and the other four states between 50% and 79%.

C. The other 40 states would receive larger payments, sharing an aggregate increase of $157.7 million. The largest increases would accrue to states with large populations which either have only small acreages of Federal land or the Federal lands in their states are of low productivity. Hence, the three states which would obtain the largest increases are New York $17.4 million, Pennsylvania $10.9 million and Illinois $10.2 million.

ALTERNATIVE NO. 9

Annual Revenue Sharing Payments Should Be Based upon a Centered Moving Five-Year Average

1. Introduction

The proposed alternative is conceived of as a modification to and an affecting of all existing revenue sharing systems applicable to all Federal lands to which revenue sharing payments presently apply. The basic concept of this proposal is equally applicable to non-Section 10 lands and Section 10 of PL 88-606 lands and, therefore, no distinction between these and all other Federal lands has been made (except in the application of the 1966 test).

This system relies upon the following concepts:

A. The payments to state-local governments have fluctuated widely from year to year due to the variations in market value type demand and production on the Federal lands. Such fluctuations in annual payments have affected adversely the budgetary and fiscal processes of state-local governments. To minimize these adverse affects, it is proposed to make annual payments, as at present, but such be calculated on the basis of a centered five-year moving average.

B. This concept should be applied to all revenue sharing programs though it was originally proposed for selective application to major revenue sharing programs.[1]

2. Methods and Features

The alternative discussed herein is intended to operate in the following manner:

A. All Federal agencies charged with the administration of revenue sharing programs shall be instructed to calculate annually a centered five-year moving average for the revenue sharing payments due each governmental jurisdiction. Payment vouchers shall then be prepared reflecting the results of these calculations and instructing the Treasury to make payments in accordance therewith.

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[1] Study Committee on Payments in Lieu of Taxes and Shared Revenues, A Study Committee Report on Payments in Lieu of Taxes and Shared Revenues, chapter 14, U. S. Government Printing Office, Washington, D. C., June, 1955.

B. The only anticipated effect of this proposal is a reduction in the variance between the payment in one year as compared with the payment in the previous year. Because the revenues collected in the current year will affect the five-year moving average only by a weighting equal to one-fifth of the total, the payment to any state-local government for the year following the last year in which a payment was made is projectable within a reasonably small variance. The ability to calculate in advance, within a fairly narrow range, a subsequent year's payment, is expected to benefit the budgetary processes of state-local governments.

3. Advantages of the Alternative

A. The method proposed herein will reduce the fluctuation in revenue sharing payments from year to year.

B. In years in which revenues from revenue sharing programs will exceed those of the preceding year, the amount which would be distributed to all state-local governments will be less than that which is distributed under the current systems, e.g. the actual collections rather than an average collection and, consequently, the Federal government would obtain the use of those funds comprising the difference in the payments between the calculated five-year moving average and the actual.

4. Disadvantages of the Alternative

A. State-local governments may receive smaller payments in any year than they would receive under the present systems.

B. The calculation of the five-year moving average will impose an additional burden upon the Federal revenue sharing program managing agencies and also will create some additional administrative costs. The additional administrative burden and cost will be created primarily by the necessity to maintain five-year records by recipient unit of government, a practice which is not currently maintained.

5. Test of This Alternative Applied to 1966

This alternative was tested using actual 1957-1966 revenues. The test was applied to four different series of data as follows:

1. All revenue sharing programs, by program.
2. All revenue sharing and payments in lieu of taxes by state.
3. Same as 2. above, five case states only.

4. Same as 2. above, 50 case counties only.

A. As indicated by the test under 1. above, and due to the increase in total payments in each year as compared with the previous year, the aggregate payments under a five-year moving average method would be less than actual payments. The following table shows the annual percentage increase in actual and five-year moving average payments:

	1962	1963	1964	1965	1966	1961-1966
actual	14	3	11	2	10	44
5-year moving average	1	6	5	4	7	31

Contrarily, on a program-by-program basis, the pattern would not be uniform as some of the programs declined in certain years while others increased. However, the revenue sharing programs from which large payments occur, e.g. national forests and mineral leasing, have increased in each of the years during the period 1961-1966.

B. Application of the test to PILT and RS payments as under 2. above show a similar pattern for all states though individual states would be affected in a dissimilar fashion. The comparative results for all states in terms of the year-to-year increase are as follows:

	1962	1963	1964	1965	1966
actual	11	4	10	3	8
5-year moving average	5	6	6	4	7

C. The calculations for the five case states, California, Colorado, Minnesota, New Hampshire and Washington, show the dissimilar pattern, mentioned in the preceding paragraph, in that these states are differently affected in most of the years because of the presence of the increase and decrease in payments from various programs. For the five states combined, the comparative results of the year-to-year increase or decrease are as follows:

	1962	1963	1964	1965	1966
actual	-2	10	13	-2	13
5-year moving average	-5	0	1	-2	6

D. The application of the 10-year receipts to the 50 case counties shows results similar to that of the five case states, except that the combined results for the 50 counties show increases in every year. The comparative results for all the 50 counties, in terms of the year-to-year increase in payments, were found to be as follows:

	1962	1963	1964	1965	1966
actual	7	7	10	4	13
5-year moving average	12	14	11	2	8

The detailed figures, including a calculation of the aggregate annual difference in payments, are shown in the following tables: ALT-9, P-5, P-5CS (for case states), and P5CC (case counties). The calculations are not based on a centered five-year moving average.

TABLE NO. ALT-9
IMPACT OF SHARING REVENUES ON THE BASIS OF A 5-YEAR MOVING AVERAGE[1/]
BY REVENUE SHARING PROGRAM, 1961-1966
(In Thousands of Dollars)

Agency	Program	1961 (1)	1962 (2)	1963 (3)	1964 (4)	1965 (5)	1966 (6)
USDA	National Forests - Actual Payments	25,054.2	27,233.0	29,992.0	32,835.7	35,502.9	41,940.5
	5-Year Moving Average	27,861.2	27,912.8	29,470.6	30,104.3	30,123.6	33,500.8
	Increase (Decrease) from Actual	2,807.0	679.8	(521.4)	(2,731.4)	(5,379.3)	(8,439.7)
USDA	National Grasslands - Actual Payments	416.9	389.3	455.4	448.9	429.0	451.4
	5-Year Moving Average	455.8	422.0	421.1	420.4	427.9	434.8
	Increase (Decrease) from Actual	38.9	32.7	(34.3)	(28.5)	(1.1)	(16.6)
USDA	Arizona - New Mexico National Forests - Actual Payments	99.2	80.5	100.4	108.2	112.1	102.9
	5-Year Moving Average	115.1	110.1	106.7	105.6	100.1	100.8
	Increase (Decrease) from Actual	15.9	29.6	6.3	(2.6)	(12.0)	(2.1)
USDOD	OCE - Flood Control - Actual Payments	1,611.8	1,613.8	1,718.8	1,702.7	1,959.3	2,421.5
	5-Year Moving Average	1,512.2	1,528.8	1,578.2	1,627.9	1,721.3	1,883.2
	Increase (Decrease) from Actual	(99.6)	(85.0)	(140.6)	(74.8)	(238.0)	(538.3)
USDI (BSFW)	Migratory Bird Act - Actual Payments	496.8	582.5	587.7	377.3	1,063.8	1,550.7
	5-Year Moving Average	521.3	515.7	532.0	506.2	621.6	832.4
	Increase (Decrease) from Actual	24.5	(66.8)	(55.7)	128.9	(442.2)	(718.3)
USDI (BSFW)	National Grasslands - Actual Payments	5.6	4.0	2.0	2.8	2.3	1.4
	5-Year Moving Average	1.1	1.9	2.3	2.9	3.3	2.5
	Increase (Decrease) from Actual	(4.5)	(2.1)	0.3	0.1	1.0	1.1
USDI (BLM)	Sale of Public Land and Material - Actual Payments	259.9	249.3	230.0	229.5	220.4	241.8
	5-Year Moving Average	242.2	252.4	263.5	254.6	237.8	234.2
	Increase (Decrease) from Actual	(17.7)	3.1	33.5	25.1	17.4	(7.6)
USDI (BLM)	Mineral Leasing Act - Actual Payments	36,686.4	45,401.4	45,327.0	47,418.9	46,471.6	47,594.4
	5-Year Moving Average	33,943.3	37,374.4	39,566.7	41,900.4	44,261.1	46,442.7
	Increase (Decrease) from Actual	(2,743.1)	(8,027.0)	(5,760.3)	(5,518.5)	(2,210.5)	(1,151.7)

Footnote on Page 3

TABLE NO. ALT-9 (Continued)

IMPACT OF SHARING REVENUES ON THE BASIS OF A 5-YEAR MOVING AVERAGE[1/]

BY REVENUE SHARING PROGRAM, 1961-1966

(In Thousands of Dollars)

Agency	Program	1961 (1)	1962 (2)	1963 (3)	1964 (4)	1965 (5)	1966 (6)
USDI (BLM)	State Selected Mineral Land - Actual Payments	0	0	8.3	14.0	19.5	15.2
	5-Year Moving Average	0	0	1.7	4.5	8.4	11.4
	Increase (Decrease) from Actual	0	0	(6.6)	(9.5)	(11.1)	(3.8)
USDI (BLM)	Taylor Grazing Act, Section 3 - Actual Payments	218.4	205.3	285.0	302.9	290.8	320.6
	5-Year Moving Average	221.3	226.4	238.3	247.7	254.5	274.9
	Increase (Decrease) from Actual	2.9	21.1	(46.7)	(55.2)	(36.3)	(45.7)
USDI (BLM)	Taylor Grazing Act, Section 15 - Actual Payments	200.7	183.6	209.0	265.6	261.4	277.0
	5-Year Moving Average	188.4	189.4	196.0	213.7	224.1	239.3
	Increase (Decrease) from Actual	(12.3)	5.8	(13.0)	(51.9)	(37.3)	(37.7)
USDI (BLM)	National Grasslands - Actual Payments	86.3	92.3	130.8	111.8	114.8	114.8
	5-Year Moving Average	58.3	76.8	102.9	103.7	107.2	112.9
	Increase (Decrease) from Actual	(28.0)	(15.5)	(27.9)	(8.1)	(7.6)	(1.9)
USDI (BLM)	Oregon - California Grant Lands - Actual Payments	14,454.7	15,400.1	15,031.3	21,136.0	20,037.9	20,965.3
	5-Year Moving Average	13,383.3	14,502.2	15,181.3	16,456.1	17,212.0	18,514.1
	Increase (Decrease) from Actual	(1,071.4)	(897.9)	150.0	(4,679.9)	(2,825.9)	(2,451.2)
USDI (BLM)	Alaska School Lands - Actual Payments	4.4	0.4	0	0	0	0
	5-Year Moving Average	17.0	12.7	10.0	3.3	1.0	0.1
	Increase (Decrease) from Actual	12.6	12.3	10.0	3.3	1.0	0.1
USDI (BCF)	Alaska Game Licenses - Actual Payments	1.8	0.8	0.1	0	0	0
	5-Year Moving Average	61.1	63.0	23.1	4.0	0.5	0.2
	Increase (Decrease) from Actual	59.3	62.2	23.0	4.0	0.5	0.2
USDI (BCF)	Pribilof Island Fund - Actual Payments	1,050.0	536.8	702.8	589.3	963.6	0
	5-Year Moving Average	372.8	480.1	620.7	738.6	768.5	558.5
	Increase (Decrease) from Actual	(677.2)	(56.7)	(82.1)	149.3	(195.1)	558.5

Footnote on Page 3

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TABLE NO. ALT-9 (Continued)

IMPACT OF SHARING REVENUES ON THE BASIS OF A 5-YEAR MOVING AVERAGE[1/] BY REVENUE SHARING PROGRAM, 1961-1966

(In Thousands of Dollars)

Agency	Program	1961 (1)	1962 (2)	1963 (3)	1964 (4)	1965 (5)	1966 (6)
USDI	Klamath Reclamation Project - Actual Payments	0	0	0	0	0	73.5
(B of R)	5-Year Moving Average	0	0	0	0	0	12.7
	Increase (Decrease) from Actual	0	0	0	0	0	(60.8)
FPC	Leases on Forest and Public Lands - Actual Payments	54.8	54.2	58.4	98.0	124.1	70.6
	5-Year Moving Average	48.0	52.2	55.1	64.8	77.9	81.1
	Increase (Decrease) from Actual	(6.8)	(2.0)	(3.3)	(33.2)	(46.2)	10.5
	Total - All Programs - Actual Payments	80,701.9	92,027.3	94,839.0	105,641.6	107,573.5	116,141.6
	5-Year Moving Average[1/]	79,002.4	83,700.9	88,370.2	92,758.7	96,150.8	103,236.6
	Increase (Decrease) from Actual	(1,699.5)	(8,326.4)	(6,468.8)	(12,882.9)	(11,422.7)	(12,905.0)

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[1/] Includes programs on Section 10 and non-Section 10 lands. Moving average is not centered. The figure for each year shown represents the sum of payments accrued for that year and the preceding four years, divided by five to produce the average applicable to the stated year. The 5-year moving average for all programs combined represents the sum of moving averages for each program.

Source: Based on state share payments reported in special and published reports of agencies responsible for RS programs' administration, including Public Land Statistics, Bureau of Land Management and Annual Report(s) of the Secretary of the Treasury.

APRIL 12, 1968

TABLE NO. P-5 REVENUE SHARING AND PILT RECEIPTS *
CURRENT SHARING VS. 5-YEAR MOVING AVERAGE
BY STATE, 1957-1966

(Including BPR Sliding Scale Payments and National Forest Highway Fund Apportionments)

	ALABAMA	ARIZONA	ARKANSAS	CALIF	COLORADO	CONN	DELAWARE	FLORIDA	GEORGIA	IDAHO
TOTAL RECEIPTS										
1961	1634972	7900025	1453253	21980054	7945790	136993	3350	426879	428399	6800699
1962	1753856	8413446	1359445	23282707	7761758	81773	5521	458501	511664	6653241
1963	1905488	7933573	1447141	22601856	7846618	133200	3471	491404	498496	6378608
1964	2128939	8897475	1458380	26834569	8405796	80721	4475	494224	536891	7108722
1965	2367213	8979808	1465982	25994485	8164831	15554	3433	410355	532569	7038245
1966	2545041	9133312	1555326	28064955	8246098	2936	18937	472633	651185	7053706
5-YEAR MOVING AVERAGE										
1961	1468230	7757087	1373328	22101619	8439942	93986	4331	433096	425259	6869457
1962	1567676	8196740	1421250	22952369	8370388	60422	4419	453584	441905	7001967
1963	1696926	8423092	1468843	23586291	8202178	81200	4108	465362	469968	7037579
1964	1815710	8460373	1438021	24141154	8064026	91691	4045	469794	472466	6923641
1965	1958094	8424866	1436840	24138734	8024959	89648	4050	456273	501604	6795903
1966	2140108	8671523	1457255	25355715	8085020	62837	7168	465424	546161	6846505
DIFFERENCE										
1961	166742	142938	79925	-121565	-494152	43007	-981	-6217	3140	-68758
1962	186180	216706	-61805	330338	-608630	21351	1102	4917	69759	-348726
1963	208562	-489519	-21702	-984435	-355560	52000	-637	26042	28528	-658971
1964	313229	437102	20359	2693415	341770	-10970	430	24430	64425	185081
1965	409119	554942	29142	1855751	139872	-74094	-617	-45918	30965	242342
1966	404933	461789	98071	2709240	161078	-59899	11769	7209	105024	207201

	ILLINOIS	INDIANA	IOWA	KANSAS	KENTUCKY	LA	MAINE	MARYLAND	MASS	MICHIGAN
TOTAL RECEIPTS										
1961	760001	237864	42368	969233	986834	918027	16605	2579	316403	953568
1962	150606	245661	57567	999844	1116543	710936	19406	12707	342129	739836
1963	156759	253906	100371	988882	1284300	749873	17396	2936	348670	575481
1964	164207	138910	117116	1088703	1418133	547737	19055	15130	365419	742207
1965	189896	248617	204939	1281808	1525836	1257428	23892	3276	377502	686367
1966	272581	272836	232596	1199507	1643524	898638	18893	25579	419505	758825
5-YEAR MOVING AVERAGE										
1961	464623	98313	58485	470416	899477	827356	15596	3402	118839	685898
1962	260022	127548	51136	583681	968833	797465	16775	4942	133927	703537
1963	262882	157817	56051	672912	1055487	792070	17382	5152	202692	708433
1964	269496	180450	69523	852688	1151878	734994	17911	7383	275147	724724
1965	284294	224992	104472	1065694	1266339	836800	19271	7326	350025	739492
1966	186810	231986	142518	1111749	1397667	832923	19733	11926	370645	700543
DIFFERENCE										
1961	295378	139551	-16117	498817	87407	90671	1009	-823	197564	267670
1962	-109416	118113	6431	416163	147710	-86529	2631	7765	208202	36299
1963	-106123	96089	44320	315970	228813	-42197	14	-2216	145978	-132952
1964	-105289	-41540	47593	236015	266255	-187257	1144	7747	90272	17483
1965	-94398	23625	100467	216114	259497	420628	4621	-4050	27477	-53125
1966	85771	40850	90078	87758	245857	65715	-832	13653	48860	58282

*Programs on Section 10 and Non-Section 10 Lands.

TABLE NO. P-5 REVENUE SHARING AND PILT RECEIPTS*
CURRENT SHARING VS. 5-YEAR MOVING AVERAGE
BY STATE, 1957-1966

(Including BPR Sliding Scale Payments and National Forest Highway Fund Apportionments)

	MINN	MISS	MISSOURI	MONTANA	NEBRASKA	NEVADA	N. H.	N. J.	NEW MEX	NEW YORK
TOTAL RECEIPTS										
1961	761932	1198178	643985	6744995	139448	5167063	221432	86617	12842385	391780
1962	758707	1244456	494771	7445404	145656	5408635	251854	88421	14758961	248527
1963	775972	1272441	686013	7349380	142435	4610356	241177	152887	14021717	282577
1964	750071	1296654	915411	7793157	136743	5765841	247236	158322	14849353	294774
1965	764767	1441674	862540	8119934	125953	6095913	251198	164082	16032720	342605
1966	823458	1762014	950452	8262200	136563	6201911	245081	188635	16710383	359540
5-YEAR MOVING AVERAGE										
1961	680985	1135051	564429	7166196	154652	5702947	205633	53976	11801719	362046
1962	721481	1172920	484468	7415972	153330	5797751	223500	45494	12895505	259292
1963	753441	1221501	495462	7526639	148655	5657111	232620	66034	13398290	271366
1964	759207	1243637	606606	7451967	144747	5333165	241440	97445	13899326	288189
1965	762290	1290681	720544	7490574	138047	5409562	242580	130066	14501027	312053
1966	774595	1403448	781838	7794015	137470	5616531	247309	150470	15274627	305605
DIFFERENCE										
1961	80947	63127	79556	-421201	-15204	-535884	15799	32641	1040666	29734
1962	37226	71536	10303	29432	-7674	-389116	28354	42927	1863456	-10765
1963	22531	50940	190551	-177259	-6220	-1046755	8557	86853	623427	11211
1964	-9136	53017	308805	341190	-8004	432676	5796	60877	950027	6585
1965	2477	150993	141996	629360	-12094	686351	8618	34016	1531693	30552
1966	48863	358566	168614	468185	-907	585380	-2228	38165	1435756	53935

	N. C.	N. D.	OHIO	OKLAHOMA	OREGON	PENNA	R. I.	S. C.	S. D.	TENN
TOTAL RECEIPTS										
1961	468680	438070	557479	466430	32868879	370513	0	604442	1491153	4189487
1962	461013	520447	338828	471353	35779394	453308	0	616737	1494147	4229515
1963	551919	795226	562011	472141	36547624	544382	0	461367	1405313	4415686
1964	521494	554125	402715	477964	43548220	506245	0	534093	1773461	4911380
1965	573052	573377	563641	544862	44846886	540557	0	640670	1777834	5377578
1966	666211	623007	478130	843322	49735286	450911	0	759463	1730970	6378363
5-YEAR MOVING AVERAGE										
1961	511636	439078	309275	383235	31603180	260314	0	534551	1799531	3871507
1962	505216	455705	247152	414230	33691146	293624	0	571421	1762783	4070511
1963	521822	536218	336027	444654	35675000	368302	0	561693	1686900	4238933
1964	510604	564453	394817	462794	37284484	425512	0	549212	1584013	4385257
1965	515232	576249	484935	486550	38718201	483001	0	571462	1588382	4624729
1966	554738	613237	469065	561929	42091482	499081	0	602466	1636345	5062505
DIFFERENCE										
1961	-42956	-1008	248204	83195	1265699	110199	0	69891	-308378	317980
1962	-44203	64742	91676	57123	2088248	159684	0	45316	-268636	159004
1963	30097	259008	225984	27487	872624	176080	0	-100326	-281587	176753
1964	10890	-10328	7898	15170	6263736	80733	0	-15119	189448	526123
1965	57820	-2872	78706	58312	6128685	57556	0	69208	189452	752849
1966	111473	9770	9065	281393	7643804	-48170	0	156997	94625	1315858

*Programs on Section 10 and Non-Section 10 Lands.

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TABLE NO. P-5 REVENUE SHARING AND PILT RECEIPTS*
CURRENT SHARING VS. 5-YEAR MOVING AVERAGE
BY STATE, 1957-1966

(Including BPR Sliding Scale Payments and National Forest Highway Fund Apportionments)

	TEXAS	UTAH	VERMONT	VIRGINIA	WASH	W. VA.	WISC	WYOMING	ALASKA	HAWAII
TOTAL RECEIPTS										
1961	1025602	8133497	105446	312356	8152346	228581	326850	17310149	25086516	0
1962	765294	11203160	129279	315057	7988100	240630	345927	17753635	28302676	0
1963	904306	9404383	115975	342945	8551226	278038	354512	18081911	25402823	0
1964	948276	9879199	127844	352869	9173327	268814	372566	19255911	30852892	0
1965	1204402	9990387	154806	373220	9427898	420037	391192	19727659	29375850	0
1966	1260741	9997463	181583	372653	9909782	307145	408411	19538865	29808499	900
5-YEAR MOVING AVERAGE										
1961	1092216	7675891	91699	320404	8679984	236548	296294	16150561	11128487	0
1962	979822	8677029	99270	328462	8667907	253068	318648	16994673	16282754	0
1963	938003	9215260	106787	330268	8936992	265009	329767	17494317	20125876	0
1964	919253	9382897	115335	329213	8817896	264644	337348	17914270	24576812	0
1965	969576	9722125	126670	339290	8658580	287220	358210	18425853	27804152	0
1966	1016604	10094919	141898	351349	9010067	302933	374522	18871596	28748548	180
DIFFERENCE										
1961	-66614	457606	13747	-8048	-527638	-7967	30556	1159588	13958029	0
1962	-214528	2526131	30009	-13405	-679807	-12438	27279	758962	12019922	0
1963	-33697	189123	9188	12677	-385766	13029	24745	587594	5276947	0
1964	29023	496302	12509	23656	355431	4170	35218	1341641	6276080	0
1965	234826	268262	28136	33930	769318	132817	32982	1301806	1571698	0
1966	244137	-97456	39685	21304	899715	4212	33889	667269	1059951	720

	TOTAL	LOW	HIGH	AVERAGE
TOTAL RECEIPTS				
1961	184248237	0	32868879	3684965
1962	196931039	0	35779394	3938621
1963	192445172	0	36547624	3848903
1964	217235766	0	43548220	4344715
1965	221477330	0	44846886	4429547
1966	232578562	0	49735286	4651571
5-YEAR MOVING AVERAGE				
1961	165820765	0	31603180	3316415
1962	177901720	0	33691146	3558034
1963	187249372	0	35675000	3744987
1964	195049658	0	37284484	3900993
1965	202467517	0	38718201	4049350
1966	212133585	0	42091482	4242672
DIFFERENCE				
1961	18427472	-535884	13958029	368549
1962	19029319	-679807	12019922	380586
1963	5195800	-1046755	5276947	103916
1964	22186108	-187257	6276080	443722
1965	19009813	-94398	6128685	380196
1966	20444977	-97456	7643804	408900

*Programs on Section 10 and Non-Section 10 Lands.

TABLE NO. P-5CS
REVENUE SHARING AND PILT RECEIPTS-CASE STATES*
CURRENT SHARING VS. 5-YEAR MOVING AVERAGE, 1961-1966

(Including BPR Sliding Scale Payments and National Forest Highway Fund Apportionments)

	CALIF	COLORADO	MINN	N. H.	WASH
TOTAL RECEIPTS					
1961	21980054	7945790	761932	221432	8152346
1962	23282707	7761758	758707	251854	7988100
1963	22601856	7846618	775972	241177	8551226
1964	26834569	8405796	750071	247236	9173327
1965	25994485	8164831	764767	251198	9427898
1966	28064955	8246098	823458	245081	9909782
5-YEAR MOVING AVERAGE					
1961	22101619	8439942	680985	205633	8679984
1962	22952369	8370388	721481	223500	8667907
1963	23586291	8202178	753441	232620	8936992
1964	24141154	8064026	759207	241440	8817896
1965	24138734	8024959	762290	242580	8658580
1966	25355715	8085020	774595	247309	9010067
DIFFERENCE					
1961	-121565	-494152	80947	15799	-527638
1962	330338	-608630	37226	28354	-679807
1963	-984435	-355560	22531	8557	-385766
1964	2693415	341770	-9136	5796	355431
1965	1855751	139872	2477	8618	769318
1966	2709240	161078	48863	-2228	899715

	TOTAL	LOW	HIGH	AVERAGE
TOTAL RECEIPTS				
1961	39061554	221432	21980054	7812311
1962	40043126	251854	23282707	8008625
1963	40016849	241177	22601856	8003370
1964	45410999	247236	26834569	9082200
1965	44603179	251198	25994485	8920636
1966	47289374	245081	28064955	9457875
5-YEAR MOVING AVERAGE				
1961	40108163	205633	22101619	8021633
1962	40935645	223500	22952369	8187129
1963	41711522	232620	23586291	8342304
1964	42023723	241440	24141154	8404745
1965	41827143	242580	24138734	8365429
1966	43472706	247309	25355715	8694541
DIFFERENCE				
1961	-1046609	-527638	80947	-209321
1962	-892519	-679807	330338	-178503
1963	-1694673	-984435	22531	-338934
1964	3387276	-9136	2693415	677455
1965	2776036	2477	1855751	555207
1966	3816668	-2228	2709240	763334

*Programs on Section 10 and Non-Section 10 Lands.

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TABLE NO. P-5CC
REVENUE SHARING AND PILT RECEIPTS-CASE COUNTIES *
CURRENT SHARING VS. 5-YEAR MOVING AVERAGE, 1961-1966
(Including BPR Sliding Scale Payments and National Forest Highway Fund Apportionments)

	MOHAVE ARIZONA	YUMA ARIZONA	JOHNSON ARKANSAS	DELNORTE CALIF	FRESNO CALIF	NEVADA CALIF	SAN BERN CALIF	TRINITY CALIF	FREMONT COLORADO	GRAND COLORADO
TOTAL RECEIPTS										
1961	106073	1593	28166	182635	83057	46447	60013	340161	2174	32825
1962	106526	1844	29377	225719	97818	36115	61935	604156	1317	22536
1963	108498	1511	38842	311459	140248	67694	65941	585234	1780	17001
1964	110131	2045	37574	623771	173027	60565	77823	872163	1177	15641
1965	109814	3252	35548	505694	145014	67522	67956	764674	1622	17785
1966	110110	5444	28224	618524	171025	88482	88506	985390	1872	15841
5-YEAR MOVING AVERAGE										
1961	104166	898	35902	203768	144704	55488	55339	442229	1643	26743
1962	105275	1266	34263	210956	128484	49935	60087	475459	1799	27558
1963	106661	1569	35905	244009	135718	55213	63427	552576	2033	27558
1964	108381	1978	36604	310675	144355	54204	68574	647067	2162	26209
1965	108209	2049	33902	369856	127833	55669	66734	633278	1614	21158
1966	109016	2819	33913	457034	145427	64076	72432	762324	1554	17761
DIFFERENCE										
1961	1907	695	-7736	-21133	-61647	-9041	4674	-102068	531	6082
1962	1251	578	-4886	14763	-30666	-13820	1848	128697	-482	-5022
1963	1837	-58	2937	67450	4530	12481	2519	32658	-253	-10557
1964	1750	67	970	313096	28672	6361	9249	225096	-985	-10568
1965	1605	1203	1646	135838	17181	11853	1222	131396	8	-3373
1966	1094	2625	-5689	161490	25598	24406	16074	223065	318	-1920

	GUNNISON COLORADO	L ANIMAS COLORADO	MESA COLORADO	MOFFET COLORADO	MONTROSE COLORADO	R BLANCO COLORADO	R GRANDE COLORADO	SUMMIT COLORADO	CL'WATER IDAHO	OWYHEE IDAHO
TOTAL RECEIPTS										
1961	51795	23721	159477	459749	60922	2026576	8045	8590	69360	6466
1962	61300	30533	163657	404185	83474	1970324	5594	5201	86004	6513
1963	45117	13504	186008	403249	90265	1995266	6223	6694	71951	9286
1964	45309	8434	184753	413636	96164	2138298	5596	4655	70121	9365
1965	71831	6441	159247	329336	68202	1993577	5718	6937	61036	9573
1966	50883	12680	176372	389614	45918	2035133	16549	9954	123022	10456
5-YEAR MOVING AVERAGE										
1961	33159	14056	70560	178956	35108	827737	8093	9780	123110	2767
1962	42654	19856	101137	259539	50282	1220336	7956	8971	112589	4070
1963	48468	22277	135396	339817	65848	1617332	7420	8682	103430	5927
1964	52939	23609	168741	422179	82298	2042859	6755	7401	92647	7800
1965	55071	16527	170629	402031	79806	2024808	6235	6416	71695	8241
1966	54888	14319	174008	388004	76805	2026520	7936	6688	82427	9039
DIFFERENCE										
1961	18636	9665	88917	280793	25814	1198839	-48	-1190	-53750	3699
1962	18646	10677	62520	144646	33192	749988	-2362	-3770	-26585	2443
1963	-3351	-8773	50612	63432	24417	377934	-1197	-1988	-31479	3359
1964	-7630	-15175	16012	-8543	13866	95439	-1159	-2746	-22526	1565
1965	16760	-10086	-11382	-72695	-11604	-31231	-517	521	-10659	1332
1966	-4005	-1639	2364	1610	-30887	8613	8613	3266	40595	1417

*Programs on Section 10 and Non-Section 10 Lands

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TABLE NO. P-5CC

REVENUE SHARING AND PILT RECEIPTS-CASE COUNTIES*

CURRENT SHARING VS. 5-YEAR MOVING AVERAGE, 1961-1966

(Including EPR Sliding Scale Payments and National Forest Highway Fund Apportionments)

	GOGEBIC MICHIGAN	CASS MINN	ITASKA MINN	LAKE MINN	MARSHALL MINN	ST LOUIS MINN	GARFIELD MONTANA	LINCOLN MONTANA	CLARK NEVADA	ELKO NEVADA
TOTAL RECEIPTS										
1961	26093	24964	25883	80122	560	64541	30662	114916	1567	21703
1962	15122	23626	24276	79801	383	63337	33816	249359	2541	23676
1963	28297	26135	26972	81510	429	61456	27377	228765	1277	29131
1964	35855	18738	19145	80960	830	56730	29220	250673	1670	29514
1965	21564	19884	20367	86798	615	62666	81378	244001	1361	28253
1966	33023	18968	20068	88997	11386	64797	78330	335785	1945	34002
5-YEAR MOVING AVERAGE										
1961	24217	25279	26173	67654	820	61160	15736	305783	862	18816
1962	21512	25598	26337	74737	718	64068	21953	270253	1338	20062
1963	22618	26776	27446	80821	614	64867	26919	259359	1533	23551
1964	25820	24840	25665	81321	601	63375	32275	251374	1764	26507
1965	25386	22670	23329	81838	564	61746	40491	217543	1683	26456
1966	26772	21470	22166	83613	2729	61797	50024	261717	1759	28915
DIFFERENCE										
1961	1876	-315	-290	12468	-260	3381	14926	-190867	705	2887
1962	-6390	-1972	-2061	5064	-335	-731	11863	-20894	1203	3614
1963	5679	-641	-474	689	-185	-3411	458	-30594	-256	5580
1964	10035	-6102	-6520	-361	229	-6645	-3055	-701	-94	3007
1965	-3822	-2786	-2962	4960	51	920	40887	26458	-322	1797
1966	6251	-2502	-2098	5384	8657	3000	28306	74068	186	5087

	CARROLL N. H.	COOS N. H.	GRAFTON N. H.	R ARRIBA NEW MEX	SIERRA NEW MEX	CHEROKEE N. C.	LAKE OREGON	LANE OREGON	FOREST PENNA	PEN'TON S. D.
TOTAL RECEIPTS										
1961	9224	12813	21081	23271	6194	10461	165020	4842278	30352	32784
1962	15715	21826	35948	27144	5996	10730	319385	5396098	45519	23753
1963	13450	18681	30774	22493	9041	10336	279462	5780772	47323	25276
1964	14768	20512	33790	23924	9003	11356	430713	5962985	51131	36937
1965	15586	21647	35700	28054	8524	12330	474314	6849320	61735	36906
1966	14157	19663	32428	39330	9227	16440	603727	7931636	60242	41360
5-YEAR MOVING AVERAGE										
1961	10370	14409	23698	38906	9568	16413	391305	4377333	25163	39475
1962	11749	16322	26857	37646	9571	15263	368695	4728377	30855	38941
1963	12977	18026	29673	35069	10102	13789	345506	5159256	37076	36320
1964	13528	18791	30939	30358	9867	12397	337480	5400152	41827	33612
1965	13749	19096	31455	24977	7752	11043	333779	5766291	47212	31131
1966	14735	20466	33728	28189	8358	12239	421520	6384162	53190	32847
DIFFERENCE										
1961	-1146	-1596	-2617	-15635	-3374	-5952	-226285	464945	5189	-6691
1962	3966	5504	9091	-10502	-3575	-4533	-49310	667721	14664	-15188
1963	473	655	1101	-12576	-1061	-3451	-66044	621516	10247	-11044
1964	1240	1721	2851	-6434	-864	-1041	93233	562833	9304	3325
1965	1837	2551	4241	3077	772	1287	140535	1083029	14523	5775
1966	-578	-803	-1300	11141	869	4201	182207	1547474	7052	8513

*Programs on Section 10 and Non-Section 10 Lands.

TABLE NO. P-5CC

REVENUE SHARING AND PILT RECEIPTS-CASE COUNTIES*

CURRENT SHARING VS. 5-YEAR MOVING AVERAGE, 1961-1966

(Including BPR Sliding Scale Payments and National Forest Highway Fund Apportionments)

	ANGELINA TEXAS	BOXELDER UTAH	KANE UTAH	JEF'SON WASH	OKANOGAN WASH	SKAMANIA WASH	STEVENS WASH	WHATCOM WASH	NATRONA WYOMING	SUBLETTE WYOMING
TOTAL RECEIPTS										
1961	80661	3131	167021	465833	43160	1147541	24706	281758	1722151	878921
1962	55385	2994	167568	391784	88031	1109410	36111	304476	1583129	966163
1963	23707	7680	199682	399011	125228	1297346	38812	356466	1753315	1132197
1964	19583	7833	235912	481845	138968	1334056	49261	399166	1978129	1132138
1965	13398	12438	261480	581273	144258	1331489	66231	360283	2103608	1184539
1966	28509	8700	187314	459291	215516	1685460	66717	464510	2365255	1168622
5-YEAR MOVING AVERAGE										
1961	53454	3077	67060	554013	96881	1194828	28338	385629	675728	346445
1962	58590	3156	99924	525866	80029	1222331	29703	356804	992315	535646
1963	56744	4259	139528	513546	93296	1319668	33437	356522	1342938	758668
1964	52403	5386	186299	494211	108130	1301871	39100	357977	1738501	980806
1965	38547	6815	206333	463949	107929	1243969	43024	340430	1828067	1058792
1966	28117	7929	210391	462641	142400	1351552	51427	376980	1956687	1116732
DIFFERENCE										
1961	27207	54	99961	-88180	-53721	-47287	-3632	-103871	1046423	532476
1962	-3205	-162	67644	-134082	8002	-112921	6408	-52328	590814	430517
1963	-33037	3421	60154	-114535	31932	-22322	5375	-56	410377	373529
1964	-32820	2447	49613	-12366	30838	32185	10161	41189	239628	151332
1965	-25149	5623	55147	117324	36329	87520	23207	19853	275541	125747
1966	392	771	-23077	-3350	73116	333908	15290	87530	408568	51890

	TOTAL	LOW	HIGH	AVERAGE
TOTAL RECEIPTS				
1961	14117217	560	4842278	282344
1962	15127230	383	5396098	302545
1963	16248174	429	5780772	324963
1964	17845593	830	5962985	356912
1965	18600779	615	6849320	372016
1966	21089404	1872	7931636	421788
5-YEAR MOVING AVERAGE				
1961	11272799	820	4377333	225456
1962	12637688	718	4728377	252754
1963	14430167	614	5159256	288603
1964	16034614	601	5400152	320692
1965	16387811	564	5766291	327756
1966	17782242	1554	6384162	355645
DIFFERENCE				
1961	2844418	-226285	1198839	56888
1962	2489542	-134082	749988	49791
1963	1818007	-114535	621516	36360
1964	1810979	-32820	562833	36220
1965	2212968	-72695	1083029	44259
1966	3307162	-30887	1547474	66143

*Programs on Section 10 and Non-Section 10 Lands.

PART 6

STUDY METHODS AND BIBLIOGRAPHY

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PART 6

Study Methods and Bibliography

The methods employed in performing this study have varied widely among its different parts. Essentially, they have involved the disciplines related to legal research, economics, public finance and policy, systems design and analysis, computer programming and research administration. Except for the computer (IBM Model 360/30) and related hardware and the data inputs provided by the various outside parties, all services have been performed by the contractor's professional staff.

A general description of the methods employed in each of the study phases follows:

I. Legal Study

A. Federal Statutes

The research effort necessary to obtain the materials needed to describe and analyze the Federal statutes was divided into two parts. First,the legislative history of each statute was examined by one or more of a team of four researchers. This entailed an examination of all the relevant Congressional hearings, reports and debates relating to the Senate or House legislation which was eventually enacted into law. In some cases, particularly where identical or similar measures were introduced into successive Congresses before enactment, the legislative materials relating to these measures were also examined. In those cases where statutes have been amended, the legislative histories of the amendatory legislation was also examined. Unpublished materials, such as executive session hearings, were not examined.

The facilities of the Library of Congress, the General Accounting Office, and the Departments of Agriculture and Interior were mainly used to accomplish this phase of the research. In special cases other government or library facilities were utilized.

The emphasis in this portion of the research effort was at uncovering the reasons or rationale voiced by Congress for the adoption of a particular statute. In addition, this portion of the research also endeavored to determine whether any Congressional guidelines were laid down for the administration of each statute.

The second part of the research effort was directed toward an examination of the administrative practices applicable to each statute. This entailed identification of any regulations published in the Code of Federal Regulations pertaining to the statutes. Subsequently, interviews were conducted with personnel of each of the Federal agencies or departments charged with the responsibility of administering each statute. In most cases the interviews were personal interviews and more than one representative of each agency or department was interviewed. In a few cases inquiries were made by letters supplemented with telephone calls.

Responsible agency or department personnel were questioned as to the actual practices in effect concerning the administration of each statute. In addition, requests were made for all written administrative materials relating to such administration. These materials include internal regulations, manuals, handbooks, instructions, forms and general policy statements. For each statute all of the relevant materials furnished by the agencies were examined and, where possible, copies of the material obtained. In most cases examination of the administrative materials led to additional clarifying interviews with agency or department personnel, either in person or by telephone. In a number of instances additional materials from field offices of the department or agency concerned were requested and obtained.

The materials gathered from the two phases of the research effort were then organized in a structural format. For each statute a "digest" was made of the statute itself and of the administrative materials and practices associated with each statute. The digests, which are contained in Section I of Appendix 1 of this report, contain the text of the applicable statute, relevant extracts from the legislative history of the statute and a description of the administration of the law. All sources of information are referenced by footnote. In appropriate instances direct quotes are provided.

The digests formed the basis on which an overall description of the laws and practices of all the Federal statutes providing for revenue sharing of payments in lieu of taxes was constructed. This "overview," generally speaking, is organized along the lines of the individual statute digests on "an across the board" basis. In this fashion the individual characteristics of the statutes may be compared with one another and differences in administrative practices noted. The statutes were also grouped together for comparative purposes in figure form.

The statutes examined include those specified by the Commission plus such additional provisions as were uncovered during the course of the study. In this connection an index check of the United States Code was made to locate additional statutory provisions. In some cases, the Federal agencies also provided information or material relating to additional statutes.

B. State Statutes

The research effort conducted in connection with the laws of the 50 states providing for financial compensation to local units of government with respect to state owned lands also consisted of two parts. First, an index check was made of each of the state codes for any laws which might be applicable. In addition, letters were sent to the Attorneys General of each state requesting information concerning laws, policies or practices of the states providing for financial compensation to local units of government because of state owned lands. The replies, when received, were used as a check on the accuracy of the index research done on the individual state codes. Where replies were not received or where there was reason to believe the replies received were inaccurate, additional requests for information were sent to the appropriate states.

The information thus obtained was organized in figure form in order to obtain an overview of the various state laws. Additionally, the resulting analyses were reduced to a textual report. It might be noted that in order to obtain a comprehensive and fully accurate picture of the large body of state laws on this subject and particularly state practices, extensive field work would be needed. Such, however, was not included in this study.

C. Australia and Canada

A summary review of the revenue sharing systems employed by the Federal governments of Australia and Canada was conducted through contacts made with embassy staffs of the two countries. Additionally, written information requests were addressed to government officials in the two capitols. Where possible, information was obtained concerning the public land holding patterns of the two countries and the various provincial and state statutes in effect. It should be noted that the information received from Canada was satisfactory; that received from Australia was fragmentary at best. Based on these inputs an analysis and summary were prepared.

D. Taxation of Leaseholds and Other Possessory Interests of Third Parties on Federal Lands

For the 19 states in which the so-called case counties are located plus Alaska, a search of the state codes was conducted for the laws relating to taxation of possessory interests in Federally and privately owned realty. In addition, specific information requests on these laws and practices were directed to tax officials and legal officers in these states. Replies from the states were compared with the information obtained from the code check. Where apparent discrepancies were found and/or where additional information appeared to be needed, additional contacts with the state taxing authorities were undertaken. The finally obtained inputs were then subjected to review and analysis and an appropriate textual chapter prepared. From the case study effort, quantitative data were incorporated in the writeup, resulting also in a figure format facilitating comparative analysis.

II. Resource Study

The methods employed in this part of the study are as varied as the types of inputs needed for its accomplishment. Because this part of the study also served as one of the basic resources for the case studies and, due to the stringent time requirements for the completion of the entire study project, the conduct of the resource study was heavily oriented to interdependent requirements in data collection, their organization, documentation and dissemination to the nationally operating case study teams. The following phases and procedures can be identified.

A. Federal Agency Contacts

At the outset, personal and letter contacts were made with all the Federal land management agencies and, additionally, those departments, bureaus and independent agencies which are the typical purveyors of subject-related information. From among the more than 40 specific contacts, the major contacts and data requests were directed to the following 15 prime agencies and their subordinated units.

- Department of Agriculture
- Department of the Interior
- Department of Defense
- Department of Justice
- Department of Health, Education, and Welfare
- Department of Housing and Urban Development
- Department of Treasury
- Department of Commerce, Bureau of the Census
- Advisory Commission on Intergovernmental Relations
- Atomic Energy Commission
- Federal Power Commission
- Tennessee Valley Authority
- General Services Administration
- Bureau of the Budget
- Library of Congress

B. Data Types

The data collection phase comprised two basic types of data:

(1) PILT and RS data consisted of land management agency payment and acreage data for the period 1957-1966, to the extent that they were available for this period, subdivided by specific program, state and county. It was soon discovered that these data were not available by county for many of the programs, specifically in all instances where states had not requested the Federal agencies to provide them with this breakdown for their payment redistribution. Other important incompatibilities in these types of data were related to semiannual versus annual vouchers, lack of acreage data for certain programs, reference to an entity such as a forest rather than the counties and the acreage referring to each in which the forest is located, distributions on bases other than acreage, and so on.

To the extent that previously published data were available, the agency payment vouchers were reconciled with such "national" data and in this process a large number of adjustments were made subsequent to reconfirmation with the data-originating agencies. The payment and acreage data were then coded for machine processing, using standard geographic codes and subroutines for each year and, where needed, the accumulation of the data comprising one fiscal or calendar year. The program code was designed to provide separation between the land and programs comprised by Section 10 of PL 88-606, and all others.

Concomitant with the collection and organization of the aforementioned data was the "build up" of the Federal land inventory by state and broad land classification, i.e. national forest lands, national forest grasslands, and so on, for the purpose of estimating land values and the property taxes which might accrue from them in private ownership. The methods employed for these purposes are fully described in Alternative No. 1 in Part 5 of this report. It is noted that the separation of Section 10 and other Federal lands, due to data limitation, was made for several land holdings on the basis of "Which type of land is dominant, public domain or acquired?".

All the payment and acreage data, as finally derived, were processed on punched cards, transferred to magnetic tape and thereby the master data file was created. Concurrently, for the 55 case counties and states, the data were manually organized in table format so as to provide the needed information during the conduct of the field studies.

(2) State-county financial and demographic data were collected from a variety of sources including the states' publications and the Compendium of Governmental Finances. Here it was soon discovered that the separation of state finances from local government finances, reflecting intergovernmental transfers both of receipts from the Federal government and receipts of local government from state governments, if at all possible, would require efforts which were distinctly beyond the scope of this study. Another important data deficiency was found to exist in the variations between figures collected and published by the Bureau of the Census and those disseminated by state governments in their reports. The reason for the rather large variations between these data sources are the practices of many states not to include in their reports such items as trust funds, revenues from borrowings, and Federal grants which are redistributed to local governments. To assure compatibility in the data which were to be used for analytical purposes, it was resolved to use the data available from Federal data sources on three levels: (i) state only, (ii) local only, and (iii) intergovernmental transfers. Similar to the PILT and RS data, these governmental finances and population data were coded and processed in machine format.

C. Data Analyses

Consistent with the objectives of this study, the large number of analyses and analytical procedures were applied to the collected and processed data. While there is questionable merit in a full description of all the analytical approaches and procedures which were employed, it might be mentioned that one of the major analytical efforts was directed at the search for one or more "dependent variables" applying to public land intense states as compared with other universes such as the "other" states or states with small public land holdings or having public land of a particular type.

It might also be added that the computerized data file was programmed to provide a number of indices. In respect of PILT and RS payments, for example, the earliest year of the study period for which the data were available, mostly 1957, was assigned an index value of 100, and all subsequent years' payments were calculated as to their variation from the index. Similarly, receipts from the public lands were calculated on a per acre basis for all programs where such a calculation was germane and the acreage data were available. Revenues of state and local governments were likewise indexed with 1957 being assigned the value of 100 and the same procedure was applied to per capita income, revenues per $100 of personal income, calculations of property taxes as a percent of other governmental revenues and, similarly, in the various major expenditure categories.

For various specific study objectives, such as the analyses of the effects of major alternatives (see Part 4 of this report), a variety of special data compilations and analysis were also performed. These included, for example, ranking techniques for population, Federal land holdings, accrued payments from PILT and RS by type of land, and others.

To meet the requirements of the estimates needed for the 1966 test of the distribution of receipts from the Federal lands as proposed in Alternative No. 2, relationships were calculated between resource program expenditures for administrative, operating and capital items and the gross revenues obtained from the relevant lands. Due to the deficiency of data reflecting the costs specifically attributable to that part of the land management activities which results in market value goods, these calculations were, of necessity, rough estimates and an attempt was made to correlate and adjust the results with private industry experience.

D. Case Studies

A detailed description of the methods employed in the collection and processing of data for the 55 case studies is contained in Chapter I, of Appendix No. 3. The foregoing chapter includes mention of the fact that the collection of resource data, both for PILT-RS and government finance, also serves the purposes of the 55 case studies. However, the scope of the case studies also necessitated the collection and processing of additional data of the following types: (i) resource expenditures by Federal land management agencies for the 10-year study period; (ii) outstanding bonded indebtedness for the earliest available study year and 1966; (iii) the practice of taxation of third party interests in Federal realty by states and counties; (iv) provision of in kind benefits, i.e. the use of Federal facilities, free supply of materials from Federal lands, etc. by Federal agencies to state-local governments; (v) financial burdens incurred by state-local governments due to the presence of public land; (vi) identification of the provision of public services to type of governmental unit, and (vii) the scope of land management services upon Federal and other lands by the Federal land managing agencies. It is implicit in the greatly varying nature of these data that the methods employed for there collection were diverse. For the most part, however, these types of information were obtained through personal and written inquiries at the local, regional and state levels. The information from Federal agencies, though coordinated in most instances through each agency's main office, was solicited and obtained from each agency's local, regional or state offices. Data on county finances, revenues and expenditure by major category were not only obtained at the county level but, in many instances, had to be compiled from records of other local units such as school districts and special districts.

The qualitative analyses and the relative impacts were developed through series of personal interviews with appropriate officials, members of interest groups such as ranchers, stumpage contractors and others, and the application of statistical analyses to the numerical data.

Finally, as analyses proceeded and apparent findings were developed, where feasible and appropriate these were discussed and explored as to their validity and reasonableness with Federal officials and members of the professional staff of the Commission. Included in such discussions was an informal conference with senior officials from two of the departments under whose jurisdictions are the bulk of the lands in this study.

E. General Research Procedure

Throughout the duration of this research project, monthly progress reports highlighting the research accomplishments for the previous month and indicating program objectives for the following month were rendered to the project officer. As a result of these progress reports, frequent conferences with the project officer and other Commission staff members were convened and changes in methods, program timing and, to some extent, aspects of the research scope were explored and agreed upon.

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IV. Other Materials

In addition to the sources noted in the preceding sections of this bibliography, other items, mostly unpublished ones, were utilized in the preparation of this report.

Among the unpublished data are the Federal agencies' payment vouchers for RS and PILT payments to states and local governments, Federal agencies' records on resource program expenditures by operating unit such as state, regional and county offices, property tax rolls and assessment records of state, local and special district governments, departmental expenditure records of various levels of state and local governments and many more.

Also, from among Federal-state-local government records, a large number of leases for the use of Federal lands by units of government and private citizens and intergovernmental contracts for the provision of services by one for the benefit of and/or the protection of the land of the other.

In connection with preparation of case study "overviews", a variety of reports, position papers, county council resolutions and general "background material" were reviewed. To provide an indication of the type of reports which have been reviewed, several, which were published by their sponsors and as such are in the public domain, were cited in Part I of this bibliography. However, to provide a complete listing of all such reports and publications is not feasible.